"The Future of Housing In America: A Better Way to Increase Efficiencies For Housing Vouchers and Create Upward Economic Mobility"

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House Financial Services Subcommittee on Housing and Insurance
Statement for the Record
September 21, 2016

On behalf of the National Low Income Housing Coalition (NLIHC), I want to sincerely thank this Committee for its attention to increasing efficiencies for housing vouchers and for the opportunity to submit a statement for the record. Congress must do more to ensure our federal housing programs are reaching households with the highest needs and are providing families with real opportunities to break through the cycle of poverty.

NLIHC is dedicated solely to achieving socially just public policy that assures people with the lowest incomes in the United States have affordable and decent homes. Our members include state and local housing coalitions, residents of public and assisted housing, nonprofit housing providers, homeless service providers, fair housing organizations, researchers, public housing agencies, private developers and property owners, local and state government agencies, faith-based organizations, and concerned citizens. While our members include the spectrum of housing interests, we do not represent any segment of the housing industry. Rather, we focus on what is in the best interests of people who receive and those who are in need of federal housing assistance, especially extremely low income people.

Today, the affordable housing crisis continues to reach new heights. Rents are rising, wages are flat, and more people are renting their homes than ever before. Yet, the supply of affordable housing has not kept pace. As a result, record-breaking numbers of families cannot afford a decent place to call home. Every state and every community is impacted.

The greatest need for affordable housing is primarily concentrated among extremely low-income renters who earn no more than 30% of their area median income (AMI). NLIHC's recent report, The Gap: The Affordable Housing Gap Analysis 2016, found that there is a shortage of 7.2 million affordable and available rental homes for the nation's 10.4 million extremely low income renters. This means that just 3 out of 10 extremely low income families can find an affordable place to call home. As a result, 3 out of 4 extremely low income families are severely cost-burdened, spending more than half of their income on rent and utilities. These families are often forced to make difficult decisions about paying rent and buying groceries or visiting their doctor. In worst cases, they become homeless. Just 1 in 4 families that are eligible for housing assistance get the help they need.

Housing Choice Vouchers are a proven tool in reducing homelessness and housing insecurity, as well as helping families climb the economic ladder. Housing vouchers help people with the lowest incomes afford housing in the private housing market by paying landlords the difference between what a household can afford to pay in rent and the rent itself, up to a reasonable amount. Administered by the U.S. Department of Housing and Urban Development (HUD), housing vouchers comprise the agency's largest rental assistance program, assisting more than 2.2 million households.

Groundbreaking research by Harvard economist Raj Chetty offers persuasive evidence on the impact of housing vouchers on upward mobility. Using new tax data, Chetty and his colleagues assessed the longer-term outcomes for children who moved at a younger age as part of the HUD's Moving to Opportunity demonstration. Chetty's study found that children who were younger than 13 when their family moved to a lower-poverty neighborhood saw adult earnings increased by approximately 31%. Children who were younger than 13 when they moved also lived in better neighborhoods as adults and were less likely to be single parents.

Given the program's effectiveness, Congress should not only expand housing vouchers to more families in need, but also work towards improving the program's effectiveness in serving low income families. While housing vouchers offer families the prospect of moving to areas of opportunity, barriers to mobility prevent many from doing so. Many private-sector landlords refuse to accept housing vouchers—whether because of the administrative costs, because vouchers do not cover the full cost of rent in high-cost areas, or outright discrimination.

NLIHC agrees with Speaker Paul Ryan and the GOP Anti-Poverty Task Force's recommendation to reform how Public Housing Authorities (PHAs) administer housing vouchers to enhance their portability and "to encourage recipients to move to areas with more affordable housing, education, or job opportunities."

To improve voucher mobility, NLIHC supports the following policy recommendations:

1. ***Consolidate public housing authorities' administration of vouchers.***

Currently, 2,400 PHAs administer the nation's two million housing vouchers. Of these agencies, 58% administer fewer than 400 vouchers. These small housing agencies exist in rural, suburban, and urban markets. There are 558 housing agencies administering vouchers in the nation's 49 most populated metro areas.

Consolidation of the administration of vouchers would result in administrative cost savings, bring significant benefits to voucher holders and people with low-incomes in need of housing vouchers, and reduce HUD's oversight costs.

According to HUD's Housing Choice Voucher Program Administrative Fee Study, issued in April 2015, large housing voucher programs have lower costs than smaller programs. Cost estimates for the 130 small housing voucher programs studied show an inverse pattern of costs per unit, decreasing steadily with the increase in the number of vouchers under lease.

Under the current system of multiple housing authorities in single housing markets, a household seeking a voucher has to apply to several different agencies to maximize its chances of successfully competing for a voucher. For example, an eligible household in the Washington, D.C. housing market would have to submit separate applications to the District of Columbia Housing Authority, the Housing Opportunities Commission of Montgomery County, the Housing Authority of Prince George's County, the Alexandria Housing and Redevelopment Authority, the Fairfax County Redevelopment and Housing Authority, and the Arlington County Department of Human Services, not to mention additional housing agencies in outer ring suburbs from which people commute to and from jobs in the D.C. metro area.

It is obvious how time consuming and frustrating this would be for the applicant household. It is also costly for a housing authority to process an application, a cost that is compounded when several housing authorities are processing applications from the same household. Under the current system, it is impossible to know what the true demand for vouchers is because the same household can be on multiple waiting lists.

Even if a household is lucky enough to rise to the top of a waiting list and receive a housing voucher, they may face significant barriers in using the voucher. Housing markets do not recognize jurisdictional boundaries. If a new voucher holder received its voucher in one jurisdiction, but found their preferred housing in the next jurisdiction, the household would have to go through the cumbersome process of "porting" its voucher from one administering agency to another. This process can reduce significantly the chances of successfully executing a lease and moving to the new house.

Consolidation of an area's vouchers into a single administering entity with a single waiting list, either with a new entity or one of the existing housing agencies, would significantly streamline the voucher process for households, the administering agencies, and the landlords on whose participation the program's success depends.

Regional administration of vouchers would also result in providing voucher holders with greater choice in where they can use their vouchers. Federal policy changes to require the consolidation of voucher administration would provide people more freedom to choose where they want to live with a voucher, including moving to low-poverty neighborhoods.

One example of a consolidated housing agency is the Southern Nevada Regional Housing Authority (SNRHA), which is the successor to the Housing Authorities of Las Vegas, North Las Vegas, and Clark County. According to the SNRHA's website, "Now, all of that expertise is under one roof and we hope to serve you much more efficiently." The SNRHA administers 10,094 housing choice vouchers.

The statute currently permits voucher administration consortia, but many housing authorities are reluctant to give up their authority. Congress should enact legislation that provides incentives for, or preferably mandates, consolidation and regional administration.

2. Fund mobility counseling pilot program proposed by the Administration.

Congress should support funding for a mobility counseling pilot program that was proposed in the President's Fiscal Year (FY) 2017 budget request. Through this three-year demonstration, HUD and PHAs will be able to develop new models for improving voucher mobility. Under the demonstration, PHAs in about 10 regions would provide counseling to help HUD-assisted families move to areas of opportunity. PHAs could use demonstration funds to improve collaboration between agencies and align policies and administrative systems. Funds could also be used to better recruit landlords and other activities that promote greater voucher mobility and housing choice. The proposal also includes a research component to study what strategies proved most cost-effective.

The Senate's version of the FY17 Transportation-HUD (THUD) spending bill includes $11 million to fund the demonstration and an additional $3 million for evaluation. The House THUD bill does not include similar funding.

3. *Encourage HUD to adopt small area fair market rents (SAFMRs) with tenant protections.*

For several years, NLIHC has advocated for small area Fair Market Rents (SAFMRs) as one means to help expand affordable housing choice for voucher households because SAFMRs have the potential to augment the value of a voucher and thus enhance the ability of a household to use their voucher in more neighborhoods, particularly areas of higher opportunity.

SAFMRs reflect rents for U.S. Postal ZIP Codes, while traditional FMRs reflect a single rent standard for an entire metropolitan region. The goal is to provide voucher payment standards that are more in line with neighborhood-scale rental markets, resulting in relatively higher subsidies in neighborhoods with higher rents and greater opportunities and lower subsidies in neighborhoods with lower rents and higher concentrations of voucher holders.

HUD recently issued a proposed rule that would use a formula to select a limited number of metropolitan areas that would be required to use SAFMRs. While NLIHC supports changes to the voucher regulations that enable households to use vouchers in areas of higher opportunity, HUD must ensure that the final rule prevents adverse impacts on households currently relying on vouchers. We are concerned about the potential harm that a transition to SAFMRs could cause voucher holders living in low-cost ZIP codes where the SAFMR is likely to be lower than the metropolitan FMR. This could result in a lower voucher payment standard, one that is below current rents to which landlords are accustomed. If a landlord does not lower the rent when the voucher payment standard declines, which is likely, residents would have to pay more for rent and may become rent-cost-burdened or severely cost-burdened.

Analysis by the National Housing Law Project reveals that if current voucher households are not held harmless, 78% (435,000 households) would likely suffer the impact of reduced payment standards in the 31 areas that meet HUD's SAFMR criteria. Consequently, we recommend that the final rule categorically exempt current voucher households from any reduction in the payment standard as a result of the transition to SAFMRs.

Moreover, we concerned many landlords may stop accepting vouchers where payment standards in low-rent neighborhoods decline sharply, adversely impacting households currently relying on vouchers as well as future voucher recipients. In some tight rental markets landlords may be able to obtain the rents they want without vouchers and without having to comply with voucher program requirements. This is particularly true in gentrifying areas.

In order to prevent landlords from exiting the voucher program and thereby reduce the stock available to future and current voucher households, NLIHC recommended that the final HUD rule incrementally limit how far SAFMRs could fall below current metropolitan FMRs. NLIHC proposed that for the first year of implementation, SAFMRs be set no lower than 95% of the metropolitan FMR, no lower than 90% the second year, and so on in 5% increments.

We also believe that HUD's proposed rule does not account for tight rental markets. Several of the metropolitan areas on the list of 31 that would be required to comply have very low vacancy rates, little rental turnover, high and rapidly rising rents, and low growth in the rental stock. As a result, there is little or no opportunity for mobility for renters in general and for voucher households in particular. Voucher households often have to return their vouchers unused because they cannot find a place to rent. In higher opportunity neighborhoods where vacancies are scarce, voucher households encounter strong competition from those without vouchers. Therefore, NLIHC recommends that any metropolitan area with a vacancy rate of 5% or less not be required to comply with the SAFMR rule.

4. *Encourage HUD to change rescreening policies for voucher holders.*

Individuals with criminal records who have secured a Housing Choice Voucher from a PHA can encounter problems when they need to move to another jurisdiction and have to port their voucher. When a voucher holder moves into a new jurisdiction, the receiving PHA is permitted to rescreen that individual employing more rigorous criteria than the initial PHA's.

This ability to rescreen often places voucher holders with criminal records in a difficult situation. On the one hand, they may want to leave their current neighborhood for a place that offers more opportunities, such as better job prospects, a new life apart from old associates, or more affordable child care options. On the other hand, if they do not meet the receiving PHA's screening criteria, the PHA could move to terminate their vouchers altogether. Considering that HCV waiting lists are usually years long, the possible deprivation of this very important housing benefit often chills the voucher holder's desire to port, even if that means staying in a place that offers little to no opportunities for mobility.

Unfortunately, HUD recently reaffirmed PHAs ability to rescreen families, stating, "[R]eceiving PHAs should be allowed to apply their own screening standards consistently among families in their program and for families moving into their jurisdiction under portability." If the receiving PHA finds the voucher holder fails to meet its criteria, it may terminate their assistance.

This practice likely does little to further the overall safety of federally-subsidized housing but instead may harm formerly incarcerated individuals looking to make the most of their second chance. People should be able to port their vouchers and not have to undergo additional screening, especially if they have a proven track record in federally subsidized housing.

Similarly, rescreening requirements may keep voucher holders from receiving other types of vouchers (e.g., Tenant Protection Vouchers, Enhanced Vouchers, and Family Reunification Vouchers), despite the fact that the voucher holders have likely been living in subsidized housing without incident. Rescreening can also prevent current public housing residents from moving into redeveloped public housing.

Congress should encourage HUD to reconsider its position on criminal records screening for ports and instead restrict a PHA's ability to rescreen participating households in the HCV program, as well as households with Tenant Protection Vouchers, Project-Based Vouchers, Enhanced Vouchers and Family Reunification Vouchers to promote voucher mobility.

5. *Reject risky proposals to deregulate small public housing agencies, which can further impede voucher mobility.*

The Small Public Housing Agency Opportunity Act of 2016 (H.R. 4816), introduced by Representative Steve Palazzo (R-MS), is a sweeping and misguided proposal that purports to reduce administrative burdens for small agencies through deregulation. However, if H.R. 4816 were enacted, it would eliminate important safeguards for tenants and likely have the unintended consequence of increasing federal costs. The bill needlessly complicates program administration and diminishes federal oversight by creating special rules for small agencies, counter to this Committee's goals and prior legislative efforts.

NLIHC appreciates the Subcommittee's recent bipartisan work to pass H.R. 3700, the Housing Opportunity through Modernization Act, which promises to streamline administrative burdens for all PHAs, regardless of size, when it is fully implemented. The proposals included in H.R. 3700 represent years of thoughtful dialogue between law and policy makers in an effort to carefully balance the goals of streamlining program administration, protecting tenants, encouraging work, and reducing costs. Before considering additional deregulation proposals, Congress should first assess the impact of the reforms included in H.R. 3700.

We find certain provisions within H.R. 4816 to be highly problematic:

A. The bill eliminates important reporting requirements and measures in assessing small PHA performance, undermining government oversight and accountability in ensuring all PHAs are meeting their obligations and that federal funds are being spent properly when carrying out the voucher and public housing programs. Moreover, the bill removes HUD's authority to consolidate a small PHA's voucher or public housing programs with a neighboring agency if HUD determines the PHA has chronically underperformed. This eliminates a powerful tool HUD can use to improve overall voucher administration.

B. The bill would allow small agencies to project-base up to 50% of their vouchers, without requiring those vouchers serve special-needs populations or be located in areas where they are difficult to use—often areas of opportunity. By project-basing such a large percentage of vouchers, families will be tied down to a particular housing unit, rather than being able to find a home in a location of their choosing, where they are closer to better jobs, schools, and other opportunities.

C. The bill proposes a rent reform demonstration that would permit participating agencies to impose new rent rules without requiring a rigorous evaluation of their impact on vulnerable tenants. Small PHAs could charge higher minimum rents, even if that amount exceeds 30% of a family's income—meaning they would be rent burdened. The bill also allows agencies to charge rents based on a household's *gross* income, eliminating medical, dependent, and child care deductions. Moreover, agencies would be allowed to establish a tiered rent system, in which an initial rent is set and adjusted annually based on changes in area median incomes (AMI). However, this structure could raise rents for poorer families while reducing rents for households with higher incomes, and thus lead to increased federal costs. These changes would undermine the purpose of HUD's rental assistance programs to ensure our poorest citizens have a home they can afford.

D. H.R. 4816 includes changes that threaten the health and safety of low-income families. The bill reduces the number of required inspections to once every three years, instead of once every two years. It also eliminates agency incentives to maintain housing quality, as HUD would no longer be able to consider an agency's compliance with quality requirements as a factor in evaluating the agency's performance in managing its public housing and voucher programs.

E. Under the bill, small PHAs would no longer be required to have a resident advisory board, nor would they have to give residents and the public an opportunity to participate in policy decisions. The bill also weakens small PHAs' obligation to comply with Section 3, which seeks to provide HUD-assisted residents with job opportunities connected with federally subsidized housing. These changes contradict House Speaker Paul Ryan and the GOP Anti-Poverty Task Force, who have encouraged greater engagement of public housing residents in the operation and management of their residences. NLIHC has long advocated for greater resident engagement and participation. Public housing residents have important personal perspectives about the impact of established and emerging housing policies on their homes and communities, and they have good ideas about how their housing should be managed. Resident participation in all aspects of housing management is critical to the long-term success of federal housing programs.

Moreover, while expanding housing voucher assistance to many more families is an important part of solving the housing crisis, it alone cannot fully address the scope of the problem.

In addition to expanded housing vouchers, additional tools are necessary to address other challenges, including the need to recapitalize and preserve aging properties, revitalize distressed communities, provide housing options for low income families in tight or gentrifying markets and produce accessible housing for families with disabilities and special needs. Addressing these gaps in the rental housing market requires investment in bricks and mortar.

NLIHC proposes the following recommendations to increase the supply of affordable housing:

1. ***Ensure more federal resources are directed towards producing deeply affordable housing in all communities.***

Too frequently, high-cost neighborhoods that offer better educational, employment, and social opportunities lack housing where families can use their vouchers. Lawmakers must therefore ensure more federal resources are directed towards producing affordable housing for the lowest income people in *all* communities to ensure low income families who wish to move to low-poverty neighborhoods have the opportunity to do so.

To that end, the House Financial Services Committee should support programs like the national Housing Trust Fund (HTF), created precisely to meet the need for affordable housing units targeted to families with greatest needs. When the Committee takes up comprehensive housing finance reform—which NLIHC urges lawmakers to do—the Committee should ensure that legislative proposals provide robust funding for the HTF, which now receives funding through a modest fee on Fannie Mae and Freddie Mac.

Congress should also look to expand and improve the Low Income Housing Tax Credit program and increase funding for the HOME Investment Partnerships Program, while also ensuring the preservation of public housing and the existing affordable housing stock.

2. ***Congress should take an alternative approach to increasing needed investments.***

While federal investments in housing have a proven track record of reducing homelessness and housing insecurity, these investments are sorely underfunded. As a result, just 1 in 4 families that are eligible for housing assistance get the help they need. For our nation to fully address the affordable housing crisis, we must identify additional resources to invest in housing.

Congress can make the investments needed to end homelessness and housing insecurity without adding any costs to the federal government by reforming the Mortgage Interest Deduction, a tax write-off that largely benefits America's wealthiest families. The Mortgage Interest Deduction is regressive and a poor use of scarce resources. Each year, the federal government spends more to subsidize the homes of 7 million high income households through the Mortgage Interest Deduction, most of whom would be stably housed without the government's support, than it does to assist the poorest 55 million families. In fact, eight out of every $10 under the Mortgage Interest Deduction goes to families making more than $100,000 a year; $4 out of every $10 goes to families making more than $200,000.

Specifically, Congress should reduce the size of a mortgage eligible for the tax break from $1 million to the first $500,000, impacting fewer than 5 percent of mortgages holders nationally, convert the deduction into a tax credit, and reinvest the significant savings into programs that serve families with the greatest, clearest housing needs. These changes would result in 15 million low-income homeowners who currently get no benefit from the Mortgage Interest Deduction to receive a much-needed tax break, as well as $220 billion (over 10 years) in savings to be reinvested in effective housing programs that serves families with the greatest needs.

Thank you again for this opportunity for NLIHC to share our views on how to improve the way we provide and administer affordable housing in our country. If you have additional questions, please contact Senior Policy Director Elayne Weiss at eweiss@nlihc.org.