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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

March 1, 2013

The Honorable Patty Murray
Chairwoman
Senate Committee on the Budget
624 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Jeff Sessions
Ranking Member
Senate Committee on the Budget
624 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairwoman Murray and Ranking Member Sessions:

This letter transmits the views and estimates of the Committee on Banking, Housing and Urban Affairs regarding the funding of programs in our jurisdiction, as required by Section 301 of the Congressional Budget Act of 1974. As requested, this letter comments on funding levels relative to CBO's FY 2014 baseline. We know that additional, difficult choices will need to be made as Congress reconciles these levels with the initial spending caps adopted in the Budget Control Act. We have not addressed the additional impact of spending cuts mandated by the sequester, which will cause dramatic reductions in many non-exempt programs under our jurisdiction if Congress cannot agree to a more balanced approach to deficit reduction.

We understand we are operating within a constrained budget environment, and offer the following information on the needs and issues in our jurisdiction to inform your Committee in its work. We believe that a stable, well-regulated financial services industry is critical to restoring consumer confidence and continuing our economic recovery. We are also acutely aware of the hardships imposed by the economic downturn on vulnerable Americans and the critical role that federal assistance plays in meeting their housing needs. Lastly, we recognize the vital role of public transportation for millions of Americans who need affordable and accessible options to travel to work, or to access healthcare and other services. It is with these concerns in mind that we put forward these recommendations.

Strengthening Financial Oversight and Protections for Consumers and Investors

The Committee continues to closely monitor the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Wall Street Reform Act) to restore confidence in our financial system while better protecting consumers, investors and taxpayers. Many of the rulemakings required by the Wall Street Reform Act are being completed by independent financial regulators, a few of which are funded through the appropriations process. They have not received needed additional funding to complete rulemakings and better oversee the financial system. Specifically, with respect to the congressional budget and appropriations in fiscal year (FY) 2014, funding for the Securities and Exchange Commission (SEC) is vital to strengthening regulatory oversight of financial institutions and trading activity. The Wall Street Reform Act authorized \$2 billion to fund the SEC for FY 2014. The FY 2014 CBO baseline level of \$1.356

billion is well below the funding necessary for the SEC to carry out its mandates, and even lower than the amount SEC projects that it will collect from fees on securities transactions and send to the Treasury. In addition to carrying out its core mission to protect investors in the U.S. capital markets, the SEC continues to implement measures required by the Wall Street Reform Act, such as oversight of credit rating agencies, corporate disclosures, investment advisors, and hedge funds. It also continues to work to improve transparency and modernize its technological capabilities. Moreover, as a voting member of the Financial Stability Oversight Council created by the Wall Street Reform Act, the SEC has assumed additional responsibilities to promote financial stability.

The SEC is also working in close coordination with the Commodity Futures Trading Commission (CFTC) to carefully craft a new framework for regulating the derivatives market. The FY 2014 CBO baseline level of \$210 million for the CFTC would be an amount that represents a practical four-year freeze in the amount appropriated for FYs 2011, 2012, 2013, and 2014. This freeze would continue despite the fact that CFTC enforcement actions are projected to yield over \$1 billion in revenues for the Treasury in FY 2013 alone. Fully funding the President's previously-requested amount for FY 2013 of \$308 million for the CFTC would help provide the resources critical to the CFTC's expanded role (along with the SEC) to regulate the more than \$300 trillion U.S. derivatives market. To improve regulation of our financial system and reduce systemic risk, both agencies need to be provided additional resources to implement the Wall Street Reform Act and monitor the securities and derivatives markets. The current baseline numbers are wholly inadequate to protect the integrity of our financial system, and we strongly urge you to provide full funding for the SEC and CFTC.

Housing Finance Reform

The Committee continues to examine the reform of the nation's housing finance system, which, having suffered its worst shocks since the Great Depression, is gaining strength but remains fragile. In our examination, the Committee has held hearings in the past two years on a wide range of topics, including: the continued affordability of 30-year, fixed-rate, prepayable mortgages; equal access for lenders to the secondary market; equal access for all borrowers and market segments, including rural areas, to the mainstream housing finance system; stable, liquid and efficient mortgage markets for single family and multifamily housing; and improved mortgage servicing procedures. We continue to review these complex issues through additional, bipartisan hearings and soliciting the views of a broad array of parties. We are undertaking this effort in an attempt to find areas of consensus for possible legislation. Please include a budget-neutral reserve fund for such legislation within the FY 2014 Budget Resolution.

Housing and Community Development Programs

While we continue to see improvement in the national economy, our families and our state and local governments continue to struggle to overcome the effects of the economic recession that began in 2008. In January 2013, the unemployment rate, while improved over this time last year, stands at 7.9 percent, and 15.4 percent of Americans were unemployed or working less than they

want to. According to the U.S. Census Bureau, the nation's poverty rate stood at 15 percent (46.2 million Americans) in 2011. State and local government budgets and services continue to face cuts. Foreclosures continue to confront many American families and communities. These challenges make funding for the U.S. Department of Housing and Urban Development (HUD) and the housing programs of the U.S. Department of Agriculture (USDA) all the more important.

Millions of Americans faced unmet housing needs prior to the current economic crisis because the market does not provide sufficient housing affordable to low-wage workers and those on low fixed incomes. Currently, a person with a full-time job would need to earn an hourly wage of \$18.25 in order to afford a modest, two-bedroom rental at HUD's national average fair market rent. This is an amount far above the minimum wage or income available to persons with disabilities who rely upon Supplemental Security Income. Families burdened by housing costs have less available to meet other essential needs like transportation to work, food, and medicine, and may even face homelessness.

The recession has aggravated America's housing crisis. Although counterintuitive in a time when housing values in most markets remain below peak levels, housing has become less affordable for lower-income families since the beginning of the housing collapse. HUD's most recent housing needs study found that 8.5 million very-low income renter households had worst-case housing needs in 2011, meaning that they were spending more than half of their incomes for housing or were living in substandard conditions. This number is 1.4 million greater than in 2009 and represents a 43.5 percent increase from 2007.

According to HUD, an increase in the number of renter households, declining incomes, increased competition for units affordable to lower-income families, and a shortage of rental assistance contributed to the growth in worst-case needs. For every 100 extremely-low-income renters (those with incomes at or below 30 percent of area median) in 2011, there were only 36 units of adequate, affordable housing available. Among very-low income renters (those with incomes at or below 50 percent of area median), only 65 affordable units were available for every 100 renters. Only one in four eligible renter households receive federal rental assistance.

In light of this tremendous need, the Committee encourages you to provide sufficient funding to maintain current levels of housing and community development assistance within the appropriated programs of HUD and the USDA's Rural Housing Service in the FY 2014 Budget Resolution. In many cases, these needs will exceed the amounts provided in the FY 2014 baseline, for reasons including: escalating rents in the private market, preservation of existing housing that would otherwise be lost to physical obsolescence or expiring affordability contracts, renewal of assistance previously funded under multi-year contracts, and the need to adjust for previous, one-time savings that are no longer available. We also request that you support key funding initiatives as discussed below. We also support \$1 billion in mandatory funding for the Housing Trust Fund.

Strengthening the Housing Market and Helping Responsible Homeowners

Slow recovery of the housing market continues to confront many families, communities, and the broader economy. In addition to negative effects on families and the economy, foreclosures have a deleterious effect on neighborhoods by reducing neighboring property values and opening opportunities for crime and blight. In order to help responsible homeowners secure sustainable mortgage products and options for saving their homes, Congress has funded housing counseling and foreclosure mitigation counseling through HUD and the Neighborhood Reinvestment Corporation (NeighborWorks America). We urge you to include strong funding for these activities in the FY 2014 budget.

We encourage you to provide administrative funding necessary to strengthen the Federal Housing Administration's oversight and processing of its lending programs. The Federal Housing Administration (FHA) is now playing an important countercyclical role in the American mortgage market, and it must have the tools to do so responsibly. The Committee will continue its oversight of the solvency of the FHA's Mutual Mortgage Insurance Fund in 2013, taking actions where necessary to strengthen the fund.

Finally, the Committee held several hearings in 2012 regarding proposals to help responsible homeowners and stabilize the housing market. These proposals have included a number of policy ideas, including promoting more refinancing at the extraordinarily low interest rates that we have today. We ask that you please include a budget-neutral reserve fund for such legislation within the FY 2014 Budget Resolution.

Housing Trust Fund

The Committee continues to support previous Administration requests to capitalize the Housing Trust Fund with \$1 billion. Congress authorized the Housing Trust Fund to finance the development, rehabilitation, and preservation of deeply-targeted, affordable housing for low-income households. The Housing Trust Fund is particularly important at this time to meet America's severe housing needs while creating construction and real estate management jobs. Please include \$1 billion in mandatory funding to capitalize the Housing Trust Fund in the FY 2014 Budget Resolution.

Rental Assistance

Given America's affordable housing needs, it is critical that the FY 2014 budget fully fund existing rental housing assistance programs and preserve this valuable rental assistance. These include HUD's Section 8 Project-Based Assistance and Section 8 Tenant Based Rental Assistance (Voucher) programs as well as the rural Section 521 Rental Assistance program provided through the Department of Agriculture. These funds help millions of the lowest-income families, seniors, and persons with disabilities secure affordable housing.

HUD's Section 8 Project-Based Rental Assistance program provides critical affordable housing to over 1.2 million households. The Department of Agriculture's Section 521 Rental Assistance

program helps over 200,000 families secure affordable housing in rural America. Please provide sufficient funding to maintain current assistance and preserve this affordable, project-based housing in FY 2014.

The Section 8 housing voucher program is a public-private partnership that has successfully allowed millions of families to live in stable, safe housing. Half of the over 2 million households receiving voucher assistance are families with children. These vouchers are critical to connecting families with stable housing. However, the housing voucher program is so oversubscribed that waiting lists in most communities are months or years long, or closed completely. Increased funding over the FY 2014 baseline amount will be necessary to maintain the current levels of assistance in the voucher program and to enable local administering agencies to assist families and ensure program integrity. We strongly support these goals. Please provide sufficient funding in the FY 2014 budget to maintain assistance to struggling families.

Please also include funding in your budget for additional Section 8 housing vouchers, including additional vouchers for the HUD Veteran's Affairs Supportive Housing program (HUD-VASH). This program is a successful HUD-VA partnership that helps veterans escape homelessness through a combination of housing and supportive services and will further the federal government's goal of ending veterans' homelessness. Concerted efforts such as VASH have helped reduce veterans' homelessness by 17 percent since 2009, but nearly 63,000 veterans remained homeless on a single night in January 2012.

Public Housing

Public Housing provides a home to 1.2 million low-income American families, over half of which are headed by an elderly person or persons with disabilities, and many of which include children. The Public Housing Operating Fund supports daily public housing operations, including maintenance, security, and utilities. An increase over the FY 2014 baseline will be necessary in order to maintain current levels of operating assistance in FY 2014, in part because the baseline continues to reflect a one-time savings of \$750 million enacted in FY 2012. We ask you to provide full funding for housing agency operations in the FY 2014 Budget Resolution.

Despite the large historic federal investment in public housing, the federal government has not provided adequate funding to maintain this valuable affordable housing, threatening its long-term viability. The public housing inventory faces a tremendous backlog of capital repairs, currently estimated at \$26 billion. Investment in public housing repairs also spurs the economy. A recent report found that for every dollar the American Recovery and Reinvestment Act of 2009 (Recovery Act) invested in public housing capital repairs, it generated more than two more in indirect economic activity. We urge the Committee to continue to improve public housing by providing sufficient funding to maintain at least current services for the Public Housing Capital Fund in the FY 2014 budget.

Homeless Assistance

According to HUD's latest Annual Homeless Assessment Report to Congress, approximately 634,000 people were homeless on a given night in January 2012. Nearly 240,000 of the homeless on this night were in families including at least one child.

To help combat homelessness, please provide full and robust funding for HUD's homeless programs authorized by the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009 (HEARTH). The HEARTH Act streamlined and consolidated multiple competitive funding streams into one unified program. Full funding for HEARTH will continue the cost-effective progress we have made in reducing chronic homelessness through investments in permanent, supportive housing. In addition, HEARTH provided new opportunities and flexibility for communities to help families facing hard times avoid or quickly escape homelessness and to develop solutions to rural homelessness. Full funding for the Emergency Solutions Grants (ESG) component of HEARTH Act will help communities continue the successful homelessness prevention efforts begun under the Homeless Prevention and Rapid Re-Housing program (HPRP) funded by the Recovery Act. HPRP helped over 1.2 million Americans escape homelessness during the Great Recession, but its funds have been exhausted. The FY 2014 baseline funding level of \$1.94 billion is nearly \$300 million less than the amount requested by the Administration in FY 2013 in order to renew existing permanent supportive housing and to fund ESG activities.

Housing for Special Populations

We urge you to provide full funding for housing programs serving our nation's seniors, persons with disabilities, and persons with AIDS in the FY 2014 Resolution. The Section 202 program creates and maintains affordable housing for the elderly. There are 10 seniors waiting for every available housing unit. As the senior population grows, we must ensure that more seniors can find suitable living arrangements. The growing senior population presents a challenge to our Nation. Please provide full funding for these activities for FY 2014.

Similarly, the Section 811 program creates critical affordable housing for persons with disabilities. Low income people with disabilities have great difficulty in finding and paying for stable supportive housing. The national average rent is higher than the average SSI payment, so a person receiving SSI benefits is unable to afford housing without substantial additional income. Over 1.3 million very low-income, non-elderly persons with disabilities pay over half of their incomes for housing, and hundreds of thousands more are living in more restrictive, institutional environments than they would choose or are living with an aging caregiver. In 2010, Congress enacted bipartisan legislation modernizing the program with new tools for development and tools to make Section 811 funds work more effectively with other funding sources. Please maintain full funding for Section 811 activities for FY 2014.

The Housing Assistance for Persons with AIDS (HOPWA) program provides critical housing support for citizens living with AIDS. Approximately 72 percent of people living with

HIV/AIDS need some form of housing assistance. A growing body of research suggests that stable housing provides affected persons with both better health outcomes and reductions in risky behaviors. We urge you to continue our national commitment to HOPWA for FY 2014.

HOME and Community Development Block Grant (CDBG) Programs

The FY 2014 budget must continue to assist our state, local and tribal government partners to make critical housing, community, and economic development investments in the coming year. We urge you to maintain at least current services in the HOME and CDBG programs in your FY 2014 resolution.

The CDBG program helps rural, suburban, urban, and Native communities to meet their urgent housing and community development needs. For example, in the last decade, CDBG has rehabilitated more than 1.4 million homes for low- and moderate-income homeowners and renters. Between 2007 and 2011, CDBG provided assistance to help over 174,000 businesses expand operations and create and retain local jobs. Indian Community Development Block Grants are an important source of funding for critically-needed housing and infrastructure development in Indian Country. These funds make long-term improvements in our cities, and rural and Indian communities across the country while supporting families and saving and creating jobs.

Since its inception, the HOME program has provided over 1 million units of affordable housing for low-income Americans. HOME has leveraged \$3.94 for every dollar appropriated, often providing critical gap funds that enable Low Income Housing Tax Credit and other affordable housing development to move forward. Congress and HUD have taken steps to improve program administration and accountability. Given the importance of these funds to affordable housing production and their successful use in so many communities, please continue your support of the HOME program as we oversee HUD's efforts to ensure that grantees are held accountable for their use of HOME funds.

Native American and Hawaiian Housing Assistance

American Indian, Alaska Native, and Native Hawaiian communities face ongoing challenges stemming from high unemployment and poverty, unique difficulties in financing housing and community improvements, and economic development needs. Many of these communities suffer from a severe shortage of decent quality, affordable housing and homeownership opportunities. HUD offers both grants and loan guarantee programs to provide necessary capital and liquidity to create and improve housing in these areas. Funding for the Native American and Native Hawaiian Housing Block Grants helps alleviate the lack of adequate housing in these communities. Please provide sufficient funding to fulfill our treaty and trust responsibilities to these communities.

Rural Housing

The housing programs of USDA's Rural Housing Service support homeownership and affordable housing efforts in rural communities across the nation. We are concerned that funding has been reduced in recent years for several programs that serve critical needs in rural America, including the Section 502 direct loan program, which helps families in rural communities purchase homes, and Section 515 loans for multi-family housing production and physical repairs. The Multi-family Housing Revitalization Demonstration Program provides resources to preserve affordable rural rental housing. Please provide sufficient funding to support these activities in the FY 2014 Budget Resolution.

Safe and Healthy Homes

We also request your strong support for HUD's Office of Healthy Homes and Lead Hazard Control programs, which combat lead poisoning and other unhealthy housing conditions. Approximately 240,000 children under the age of six have blood lead levels high enough to cause irreversible neurological damage and learning disabilities. In addition to reducing the human costs of lead exposure, expenditures to prevent lead poisoning are cost-effective. For every \$1 spent to reduce home lead hazards, there is a benefit of at least \$17. Please continue to support these important programs in FY 2014.

Place-Based Initiatives

We request that the Budget Resolution provide funding for place-based efforts to help communities tackle persistent poverty and promote economic development. These include the Sustainable Communities Initiative, an initiative aimed at empowering communities to develop locally-designed, comprehensive plans to ease traffic congestion and promote affordable housing, energy independence, environmental sustainability, and economic development. Also included is the Choice Neighborhoods Initiative, which seeks to build on the lessons learned thus far from HUD's HOPE VI housing revitalization program. Local communities' desire for such assistance from the federal government far outstrips available funding.

Fair Housing

We urge you to fully fund fair housing activities at HUD. Predatory lending and mortgage rescue scams targeting minority communities are only the latest manifestation of discriminatory housing practices facing Americans. It is critical that HUD and private fair housing organizations around the country have the resources they need to adequately assist people and to enforce the Fair Housing Act.

Community Development Financial Institutions (CDFI) Fund

We ask you to support strong FY 2014 funding for CDFI Fund programs. The FY2014 baseline provides \$221 million for the CDFI Fund, which was established to serve the nation's most economically distressed communities by providing capital, credit, and other financial services that are typically unavailable from mainstream financial institutions. Within the CDFI program, the Native American CDFI Assistance program has been instrumental in helping fund effective

organizations that address the economic development needs of these underserved and distressed communities. The loans and investments made by CDFIs have leveraged billions of dollars from the private sector in development activities in financially underserved and low-wealth communities. Demand for CDFI funding has grown and far surpasses amounts available. We urge the Budget Committee to continue to support this important program.

Flood Insurance

As demonstrated in Superstorm Sandy, flooding presents a real threat to the lives and property of Americans. In addition, catastrophic flooding presents a challenge to all taxpayers, as the nation seeks to help victims recover and repair critical infrastructure. Adequately updated flood maps are critical to the ability of families and communities to accurately assess their flood risks and take steps to mitigate them to avoid future damages. Congress has provided dedicated funding in recent years to ensure that FEMA has sufficient resources to modernize their maps and increase the risk analysis provided by these maps. The recently-enacted Biggert-Waters Act directed the Federal Emergency Management Agency to undertake a comprehensive effort to improve the quality and accuracy of its flood maps and authorized up to \$400 million per year to make such improvements. This increase in funding is critical to the National Flood Insurance Program and to millions of Americans who need to know if they are in harm's way. We request that the Budget Resolution fund flood mapping at a fiscally responsible level that allows FEMA to make these important improvements.

Terrorism Risk Insurance

Congress first authorized the Terrorism Risk Insurance Act (TRIA) in the aftermath of the September 11, 2001 terrorist attacks, when the private insurance industry became reluctant to offer affordable reinsurance to cover losses associated with terrorism. Since that time, TRIA has helped promote economic growth through commercial lending throughout the United States. While TRIA provides a necessary backstop to domestic insurance companies who are now required to offer coverage to large commercial properties against terrorist attacks, the federal government has never had to provide funds to any insurer under TRIA since it was first enacted in 2002. The program's current authorization expires on December 31, 2014. The Committee will continue to review the program and examine proposals to reauthorize TRIA before it is set to expire. Please include a budget-neutral reserve fund for such legislation within the FY 2014 Budget resolution.

Public Transportation

Through public transportation programs, the federal government supports states and localities in their efforts to develop multimodal transportation systems that meet the mobility needs of their citizens. In 2012, the Congress passed, and the President signed the "Moving Ahead for Progress in the 21st Century Act" or "MAP-21" which authorizes federal surface transportation programs, including public transportation programs for FY 2013 and FY 2014. MAP-21 authorizes formula grant programs supported by the Mass Transit Account of the Federal Highway Trust Fund that are designated as mandatory budget authority. MAP-21 also authorizes

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several important activities that receive annually appropriated discretionary funds, including the "Fixed Guideway Capital Investment Grants" program, also known as the "New Starts" program, which provides funding through multi-year grant agreements for large-scale transit construction projects, transit research and technical assistance activities, and administrative expenses for the Federal Transit Administration which oversees all public transportation grant programs.

Given historically high levels of transit ridership, the growing cost of traffic congestion, continued concern regarding gas prices, concerns over climate change, and a growing and aging population that increasingly demands improved public transit options, we believe that increased investment in public transportation is in our nation's long-term interest. Safe and efficient transit systems provide significant benefits both to transit riders and to others in the community, including employers, property owners, and automobile drivers. These benefits are important in both urban and rural communities. Transit trips in rural areas open economic, educational, healthcare and other opportunities for individuals that would otherwise face geographic isolation in more remote areas. In addition to the long-term benefits to our communities and our nation from investing in transit, these investments create much-needed, well-paying jobs in the near-term.

We hope that the Budget Resolution will include a strong level of public transportation funding. The transit funding authorized by MAP-21 reflects the growing demand for public transportation, the need to repair and expand transit infrastructure and facilities, and the increasingly important role public transportation plays in addressing many of the challenges facing our nation.

We know that you will face difficult choices as you seek to put our nation on a fiscally responsible path that permits ongoing investment in key initiatives that will promote economic growth and the well-being of our citizens. We strongly believe that adequate funding for financial regulation, housing and community development programs, and public transportation will help strengthen our economic recovery and build a stronger, more prosperous future. Thank you for your consideration of these views.

Sincerely,

A handwritten signature in blue ink that reads "Tim Johnson". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

Tim Johnson
Chairman