



**To:**

Chairman Hensarling  
Financial Services Committee  
U.S. House of Representatives  
Washington, D.C. 20505

**Re:**

House Financial Services Committee request for ideas on poverty and housing affordability

**From:**

National Housing Conference

**Point of Contact:**

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The Honorable Jeb Hensarling  
Chairman  
Financial Services Committee  
U.S. House of Representatives  
Washington, D.C. 20505

To Chairman Hensarling:

The National Housing Conference (NHC) hopes you will consider the enclosed ideas as the Committee considers the pressing issue of housing affordability. There has been a dearth of housing legislation in the past several years, despite the mounting rental crisis and an array of challenges in homeownership. We therefore offer the Committee suggestions for legislative action grounded in the realities of housing's history.

## **I. Summary**

The National Housing Conference (NHC) welcomes the House Financial Services Committee's effort to understand the important role of the Department of Housing and Urban Development (HUD) programs to address housing challenges in this country. NHC offers a historical perspective on where we have been, facing segregation and discrimination, and thoughts on where we are, facing a growing affordability crisis where HUD must work with partners in a complex housing market.

NHC discusses important housing lessons we have learned:

1. Housing assistance meets a variety of need
2. Housing is real estate
3. Housing is embedded in communities

In closing, NHC offers specific recommendations to strengthen housing programs for the future:

1. Expansion of resources to meet the growing housing need
2. Housing finance reform
3. Increase broadband opportunity in affordable housing
4. Implement pay for success program for energy efficiency

## **II. About the National Housing Conference**

The National Housing Conference represents a diverse membership of housing stakeholders including mortgage bankers, tenant advocates, for-profit and non-profit home builders, property managers, local government officials, policy practitioners, real estate professionals, equity investors, and more, all of whom share a commitment to safe, decent and affordable housing for everyone in America. We are the nation's oldest housing advocacy organization, dedicated to the affordable housing mission since our founding in 1931. As a nonpartisan, 501(c) 3 nonprofit, we are a research and education resource

working to advance housing policy at all levels of government in order to improve housing outcomes for all in this country.

### **III. Where we have been**

Housing in the United States does not come from a place of purity or perfectly efficient markets. Rather, it has been shaped by government policy and by private activity, and it carries with it the legacy of discrimination and segregation throughout the nation's history that are all too visible in neighborhoods today. Past policies still limit the choices of people and communities today, and they block people's ability to choose freely where to live, raise a family increase their opportunity and take on the responsibility of a home.

The patterns of housing we see today emerged from a history fraught with discrimination in public policy and private action. In addition to the legacy of slavery, racial quotas in early public housing, FHA red-lining of neighborhoods, private block-busting and many other forms of subtle and overt discrimination created sadly durable segregated neighborhoods. Discrimination by race and income looms large, but ethnicity, disability status, and other factors were dividing lines as well, albeit in different ways. Both public policy and private action reinforced these patterns of segregation over time, making them difficult to change.

Segregation, whether it is by race, wealth, disability status, ethnicity, or other factors, limits opportunity. In areas of concentrated poverty, this limitation manifests itself in a lack of job opportunities, poor health, under-resourced education, and disinvestment. In areas of concentrated wealth, lack of affordable housing not only excludes others from choosing a home near jobs, transit, safety, and better schools, it also imposes costs on the community whose workers must travel long distances from home. Changing these dysfunctional patterns is not simply a matter of removing barriers—it requires active government and private efforts to invest in neighborhoods and create pathways to opportunity.

### **IV. Where we are**

America is in a rental housing crisis. Nearly a quarter of renter households spent more than half of their income on housing in 2013<sup>1</sup>. These numbers grew dramatically since 2000, rising from 7 million households to 11.3 million households in 2013. A recent forecast by the Harvard Joint Center for Housing Studies and Enterprise Community Partners predicts the number of cost-burdened renters will continue to grow.<sup>2</sup>

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<sup>1</sup> HUD Worst Case Housing Needs: 2015 Report to Congress.

[http://www.huduser.gov/portal/publications/affhsg/wc\\_HsgNeeds15.html](http://www.huduser.gov/portal/publications/affhsg/wc_HsgNeeds15.html), NHC Housing Landscape 2015.

<http://www.nhc.org/#!/2015-housing-landscape/d9ata>

<sup>2</sup> <http://housingperspectives.blogspot.com/2015/09/enterprise-and-jchs-project-renter.html>

The picture for homeowners is not much better, especially those with the lowest incomes. There were 3.7 million homeowners paying more than half of their income for housing in 2013.<sup>3</sup> Access to mortgage credit for aspiring homeowners has been constrained since the financial crisis, especially for households of color. Improvements have been limited, uneven, and slow.<sup>4</sup>

Federal policy to address housing need centers on the Department of Housing and Urban Development (HUD, the subject of this request), but the complexity of our economy means that HUD interacts with other private and public entities on multiple dimensions:

- Most low-income households live in unsubsidized housing, and many assisted tenants live in privately-owned housing. HUD's affordable housing work is necessarily embedded in the context of the **private housing market** and must work within it.
- The largest affordable housing production program currently is the **Low Income Housing Tax Credit (LIHTC)**, which is overseen by the **Department of the Treasury** and allocated by **state housing agencies**. HUD's rental assistance and lending programs interact with the LIHTC in mutual service to the affordable housing mission. These programs are a vital resource for the LIHTC to serve those with the most significant housing challenges in this country.
- The **Consumer Financial Protection Bureau** regulates mortgage lending and the **Federal Housing Finance Agency** does so indirectly through its oversight of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. HUD interacts with each of these, primarily through the Federal Housing Administration's role insuring mortgages and Ginnie Mae's securitization.
- The **Department of Veterans Affairs** has forged a strong partnership with HUD to end veteran homelessness that requires ongoing coordination and joint work.
- The **Department of Agriculture's Rural Housing Service** addresses housing need in rural areas, complementing HUD's work in urban, suburban, and some rural areas. The two agencies have worked to align their efforts in recent years.

HUD must be a strong partner to interact with these many other entities. It must be a financially reliable counterparty, an efficient business partner, and a fair and consistent allocator of scarce government resources. To do so it must have sufficient and reliable funding itself, a feature all too lacking in recent years. HUD also needs tools like the Affirmatively Furthering Fair Housing rule to help address local barriers that make creation and preservation of affordable housing more costly.

## V. What we have learned

Since HUD's creation 50 years ago, we have learned a great deal about housing, and now there is a rich academic and policy literature offering lessons for policymakers and practitioners.<sup>5</sup>

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<sup>3</sup> NHC Housing Landscape 2015. <http://www.nhc.org/#!2015-housing-landscape/d9ata>

<sup>4</sup> <https://www.americanprogress.org/wp-content/uploads/2013/06/AccessAffordHousing1.pdf>

<sup>5</sup> NHC's publications at <http://www.nhc.org/#!research-library/qnhc0> provides a starting point to understand available research.

### **A. Housing assistance meets a variety of need**

Housing assistance addresses a wide variety of need, and it does so in different ways. Housing assistance provides:

- Temporary help to households suffering job loss, medical emergency, natural disaster, or other disruption
- Long-term assistance to elderly or disabled recipients
- Offset to housing costs in places where demand far outstrips supply
- A platform for counseling, job training, medical assistance, financial empowerment, and other services aimed toward empowering people through greater self-sufficiency and dignity

The same housing assistance programs often serve multiple dimensions in different contexts. Any reform of HUD's rental assistance must take each of these into account and tailor changes to avoid unintended negative consequences for people and communities. Policy changes aimed at reducing dependency, for instance, might undermine properties serving residents in long-term need. Conversely, policy aiming for efficiency in use of public funds may unintentionally undermine efforts toward resident self-sufficiency.

The effort to end veteran homelessness has struck a good balance, and the results show. Many localities have announced that they have effectively ended veteran homelessness, and many more are on track to do so by 2015.<sup>6</sup> Localities are applying similar solutions to chronic homelessness: flexible rental assistance, case management, supportive services, and careful targeting of resources to need. Congress' willingness to provide sufficient resources was vital to the success of this effort.

### **B. Housing is real estate**

Housing is real estate as well as shelter, and as such it is embedded in communities for the long term. Housing solutions therefore have to work within the economic realities imposed by real estate economics: local rental markets determine what an apartment costs to rent; lending markets determine the cost of a mortgage; housing supply and demand set the cost of a home. Recent examples of effective HUD housing policy that works within the context of market forces include:

- Housing counseling through HUD's Office of Housing Counseling and the National Foreclosure Mitigation Program, which helps struggling homeowners navigate the difficult options available to them
- HUD's small multifamily risk sharing initiative, which uses risk-sharing to provide more efficient capital to small-scale rental housing<sup>7</sup>
- HUD's Multifamily Transformation Initiative, which is updating HUD's lending and asset management operations to make it a more effective and efficient counterparty using techniques proven by the private sector
- HUD's Rental Assistance Demonstration program gives public housing authorities the ability to leverage public and private debt and equity to reinvest in public housing capital needs. The

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<sup>6</sup> Zero 2016 Dashboard, <http://zero2016.weebly.com/>.

<sup>7</sup> [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/mfh/progdesc/progsec542b](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/progdesc/progsec542b)

program ensures units remain affordable but also allows for private investment in public housing. RAD provides greater funding certainty for potential lenders and increased operational flexibility for PHAs and owners to serve their communities.

Historically, the most successful federal rental housing efforts have leveraged the energy and efficiency of the private sector with the necessary subsidy from the public sector. We cannot expect that federal subsidy alone will change neighborhoods but federal investments can be catalytic and stimulate additional private economic development in an area which can start the process of neighborhood change.

### **C. Housing is embedded in communities**

To create opportunity for all who live in a neighborhood, housing must build on the connections to public safety, economic development, health, education, the environment, and more. Some of the most effective examples of federal policy we have seen in recent years have embraced these connections, including:

- The Byrne Criminal Justice Innovation program, which has supported collaboration between housing providers and public safety officials.<sup>8</sup>
- Promise Zones<sup>9</sup>
- The Sustainable Communities Initiative<sup>10</sup>
- Choice Neighborhoods<sup>11</sup>

At the local level, housing organizations are demonstrating how neighborhood transformation centers on housing but requires cooperation among many in the community and beyond. The efforts of Ohio Capital Corporation for Housing's *Community Properties Initiative* powerfully illustrates how targeted investment, engagement with the community, and cooperation among key institutions can bring positive change and renewed opportunity to a distressed neighborhood. The success of this sustained and comprehensive community development effort led us to honor the *Community Properties Initiative* in 2015 with our Housing Visionary Award.<sup>12</sup>

## **VI. What is needed**

The Committee has asked for specific recommendations in a broad area of policy that has heard recommendations from many stakeholders. We call to your attention several recommendations which NHC has either developed on our own or in conjunction with partners:

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<sup>8</sup> [http://www.lisc.org/csi/byrne\\_criminal\\_justice\\_innovation\\_\(bcji\)/what\\_is\\_bcji.php](http://www.lisc.org/csi/byrne_criminal_justice_innovation_(bcji)/what_is_bcji.php)

<sup>9</sup> [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/economicdevelopment/programs/pz/overview](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/economicdevelopment/programs/pz/overview)

<sup>10</sup> <https://www.sustainablecommunities.gov>

<sup>11</sup> [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/public\\_indian\\_housing/programs/ph/cn](http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/cn)

<sup>12</sup> <http://www.nhc.org/#!honorees/fqevh>

### **A. Expansion of resources to meet the need**

Housing need is diverse and federal assistance serves it in many ways. Simply put, there is not enough to meet the existing need. Housing help is not an entitlement: only 25% of people eligible for housing assistance actually receive it<sup>13</sup>. To truly solve housing challenges, the federal government must commit sufficient resources. Among the mechanisms to do so efficiently are:

- Expand and improve the Low Income Housing Tax Credit Program and complementary resources like HOME, as recommended by the Bipartisan Policy Center's Housing Commission and the ACTION Campaign<sup>14</sup>
- Expand rental assistance through the Housing Choice Voucher program and property-based Section 8 assistance
- Sustain and expand homelessness assistance, building on the success of efforts to end chronic and veteran homelessness, but also expanding to reach the full spectrum of need, particularly for families and children
- Expand homeownership assistance through HOME, CDBG, SHOP, and other programs, and make those resources more flexible to meet local need
- Fund the National Housing Trust Fund, which targets rental production and assistance to extremely low income households
- Fund the Capital Magnet Fund, which leverages other funds effectively by filling gaps in financing for affordable housing
- Expand housing counseling, to help homeowners navigate what will be a long, slow recovery from the foreclosure crisis as well as ongoing housing need

### **B. Housing finance reform**

Our housing finance system remains in a temporary and unsustainable conditions more than seven years after the financial crisis. NHC and a wide range of stakeholders endorsed Housing Finance Principles to guide necessary legislative reform to create a durable housing finance system.<sup>15</sup> See attached.

### **C. Broadband connectivity in affordable housing**

Access to the internet has become a primary way for people to become more self-sufficient, through education, starting small businesses, and finding new employment. It can also help reduce social

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<sup>13</sup> Center on Budget and Policy Priorities. "Policy Basics: Federal Rental Assistance"  
<http://www.cbpp.org/research/housing/policy-basics-federal-rental-assistance>

<sup>14</sup> Bipartisan Policy Center Housing Commission Report. "Housing America's Future"  
<http://bipartisanpolicy.org/library/housing-americas-future-new-directions-national-policy/>  
ACTION Campaign Legislative Priorities.  
<http://rentalhousingaction.org/files/ACTION%20Campaign%20Legislative%20Priorities.pdf>

<sup>15</sup> NHC Housing Finance Working Group's A Case for Change:  
[http://media.wix.com/ugd/19cfbe\\_3914d108c44c4ef3ac6343ada454d562.pdf](http://media.wix.com/ugd/19cfbe_3914d108c44c4ef3ac6343ada454d562.pdf)  
NHC's Housing Finance Working Group's Principles for Housing Finance Reform:  
[http://media.wix.com/ugd/19cfbe\\_00e4fa741adb4fba853a8569124363c6.pdf](http://media.wix.com/ugd/19cfbe_00e4fa741adb4fba853a8569124363c6.pdf)

isolation and deliver medical services more efficiently. NHC's Connectivity Working Group developed a set of policy recommendations to ensure access to broadband in affordable housing. See attached.

**D. Pay for success program for energy efficiency**

Making affordable housing more energy efficient helps federal dollars stretch further while making residents healthier and reducing their utility costs as well. The proposed bipartisan legislation, the Private Investment in Housing Act of 2015, using a pay-for-success model would provide resources only when properties demonstrate that they have achieved desired energy efficiency goals.<sup>16</sup>

**VII. NHC is ready to help**

NHC would be pleased to see the Committee take up these housing issues in earnest. We stand ready to assist in the pursuit of bipartisan agreement on housing solutions and to improve understanding of housing challenges. We thank you for your attention to housing and look forward to future work.

Sincerely,



Chris Estes  
President and CEO

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<sup>16</sup> <https://www.congress.gov/bill/114th-congress/house-bill/2997/text>