



Testimony of

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and the

Oversight and Investigations Subcommittee

of the Financial Services Committee

Hearing on

“Fraud in the HUD HOME Program”

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My name is Ethan Handelman, and I am the Vice President for Policy and Advocacy at the National Housing Conference. I am grateful to the Committee for inviting me to testify. I hope that as part of the discussion of the need for strong regulatory and financial controls, we can remember the essential work of the HOME program in creating affordable housing.

Since 1931, the National Housing Conference (NHC) has been dedicated to ensuring safe, decent and affordable housing for all in America. NHC has earned its strong reputation as the *United Voice for Housing* by actively engaging and convening its membership in nonpartisan advocacy for effective housing policy solutions at the local, state, and national levels. NHC brings together a diverse membership of housing stakeholders including tenant advocates, mortgage bankers, non-profit and for-profit home builders, property managers, policy practitioners, realtors, equity investors, and more, all of whom share a commitment to balanced housing policy. Some of our members administer HOME funds or work on projects with HOME funds, but most do not. We all, however, support the important work HOME does as part of our national commitment to safe, decent, and affordable housing for all in America.

**HOME creates affordable housing.** For 20 years, this federal block grant program has provided critical funding to state and local governments exclusively to provide affordable housing for low-income families. According to the U.S. Department of Housing and Urban Development (HUD), since 1992 the HOME program has funded over one million affordable housing units. Of these million units, over 400,000 were for new homebuyers, nearly 200,000 were for owner-occupied rehabilitations and almost 400,000 were rental housing units. Above and beyond the units created, an additional 240,000 tenants received direct rental assistance to make private market apartments more affordable.

**HOME leverages other resources.** For every HOME dollar expended, \$3.94 in other public and private investment has been leveraged, resulting in more than \$80 billion in other funding for affordable housing since the program began. As one example, the County of Orange, New York, since 1992 has leveraged over \$350 million in other funds using less than \$16 million in HOME funds to construct and preserve affordable housing, many in properties with just a few apartments, some in larger developments. In particular, HOME is often the early money necessary to get projects off the ground while private lenders, equity investors, Low Income Housing Tax Credit allocations, and other resources come together.

**HOME creates jobs.** HOME funds frequently provide essential gap financing for Low Income Housing Tax Credit properties. That development creates jobs. In the first year, construction of a typical 100-unit property results in 116 jobs, about half of which are in the construction sector. Other HOME program activities, such as the development and renovation of owner-occupied homes, also produce employment. Now more than ever, such jobs are essential.

**HOME sustained projects during the downturn.** The recession and financial crisis disrupted real estate development across the country. In a survey of home builders from the beginning of this year, 45% reported placing multifamily projects on hold and 60% reported placing single-family projects on hold until the financing climate gets better. Housing starts and completions slowed

dramatically as a result of the crisis, by as much as 75% nationally from the height in 2005 to bottom in 2010. HOME-funded projects, however, outperformed the broader real estate market. In June, HUD reported that only 2.5% of 28,000 active projects were delayed. Against the backdrop of disrupted real estate markets, HOME projects stand out for completion.

**HOME reaches many communities.** The flexibility of the HOME program provides **urban, rural and suburban** communities across the country with the ability to both produce and rehabilitate single-family homes, many for new homeowners, while also providing and rehabilitating rental housing for low to extremely low-income families. In addition, the HOME program provides critical resources for **housing for persons with special needs** including the homeless, disabled veterans, and persons with HIV-AIDS. The state of Michigan, for instance, makes effective use of its HOME allocation to fund permanent supportive housing for at-risk individuals who would be homeless but for the services and housing provided.

**HOME empowers state and local government.** Local communities can target flexible HOME funds to the particular needs of their communities and housing market. HUD provides the essential oversight function, making sure that communities follow program requirements, verifying project completion, and, when necessary, bringing enforcement action to recapture funds. HUD's enforcement is strong and must continue to ensure the continued success of HOME. The HOME program is a proven solution that is part of our national commitment to creating housing opportunities for all Americans.

Thank you again for the opportunity to be here. I am glad to answer questions from the Committee.

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