

MEMO OF MEMBERS

The Weekly Newsletter of the National Low Income Housing Coalition

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HOUSING IN THE 2004 ELECTIONS— NLIHC ANNUAL CONFERENCE

The deadline to reserve a room at the Loews L'Enfant Plaza Hotel at the special conference rate of \$179 **has been extended to Friday, April 2**. Call 800-635-5065 to make your reservation!

Friday, April 2 is also the deadline to receive early registration rates for the conference. Register online at <https://www.nlihc.org/conference.html>.

NLIHC has been approved for **6.25 Continuing Education Units** by the **National Association of Social Workers!** Call 202-662-1530 for more information.

Register today! For the complete conference schedule and registration forms, visit <https://www.nlihc.org/conference.html>.

HUD

HUD Withdraws RESPA Rule; Way Cleared for Jackson

The Senate Banking Committee will consider the nomination of Alphonso Jackson for HUD Secretary on Tuesday, March 30, at 2 pm. Mr. Jackson is currently Acting HUD Secretary.

The hearing date was scheduled after Acting HUD Secretary Alfonso Jackson announced on March 22 that he was withdrawing the rule from the Office of Management and Budget (OMB) that would have reformed the regulatory provisions under the Real Estate Settlement Procedures Act (RESPA). As reported in the March 19 issue of *Memo*, Mr. Jackson's nomination for HUD Secretary had been held up in the Senate over this issue. With his recent action, a major hurdle in Mr. Jackson's nominating process was removed.

"Since I began my tenure as Acting Secretary, I have heard from a number of members of Congress, on a bipartisan basis, who voiced concerns about not receiving the benefit of a full briefing of the RESPA rules before HUD sent it to OMB," Mr. Jackson wrote to OMB in the letter withdrawing the rule.

Capitol Hill

Budget Passes House, Heads to Conference

In a very close vote (215-212), the U.S. House of Representatives passed an FY05 budget resolution on March 25 that includes less for discretionary spending than either the President's request or the Senate's resolution.

The House resolution does *not* include a pay-as-you-go provision that would have provided for five-year caps on spending, but not tax cuts. However, House leaders plan to bring a separate bill to the floor later in the Spring, the Spending Control Act of 2004, that would limit spending but not taxes for the next five years. While a budget resolution is not binding, the Spending Control Act would be.

The Senate included a pay-as-you-go rule in its budget resolution that would

(See *Capitol Hill* on p. 2)

POINT OF VIEW

by Sheila Crowley, President

President Bush went to the South west to talk about homeownership last week, and homeownership was the topic of his Saturday radio address (www.whitehouse.gov/news/releases/2004/03/20040327.html). Unable to point to job creation, he is using the record homeownership rate as evidence of his concern for the economic well-being of ordinary families. He touted his homeownership initiatives including the American Dream Down Payment Program enacted last year that will help 40,000 families a year, his proposed Zero Down Payment FHA home mortgage insurance that will help 150,000 families a year, his expansion of housing counseling, and his homeownership tax credit proposal that will help 40,000 families a year.

What he did not mention is just as interesting. He was unable to claim credit for reform of the home purchase settlement process (RESPA) that was supposed to be Mel Martinez's legacy as HUD Secretary, as he has on previous occasions. Acting Secretary Alphonso Jackson had to withdraw the REPSA rule in order to quell Congressional opposition that threatened to derail his nomination. The President also said he had asked Congress for \$200 million more for the American Dream Down Payment program this year, but did not mention that he was also cutting housing vouchers by \$1.6 billion. He did not mention that by charging higher premiums to borrowers who might use the zero down payment option, the FHA Mutual Mortgage Insurance Fund will generate another \$184 million a year to help reduce the fed-

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Capitol Hill *(cont'd from p. 1)*

limit both tax cuts and spending over the next five years. The pay-as-you-go rule is the key differences between the House and Senate budget resolutions, and is expected to be a major hurdle during the House-Senate conference negotiations. Moderate Senate Republicans, including Senators Lincoln Chafee (R-RI) and John McCain (R-AZ), are on the record saying that they will not vote for a budget conference report that does not include the Senate's version of pay-as-you-go. Members of the House GOP have taken a different position, with some Republicans saying they will not vote for a conference report that does include the Senate's version.

During the House debate, three alternatives to the budget resolution were offered, including a Democratic alternative that was defeated 192-232. The Democrats' resolution included \$27.4 billion more in discretionary spending on low income programs than the Republican budget over five years. It called for maintaining the housing voucher program at current levels and rejecting the President's proposal to block grant the program. The Democrats also called for allocating \$574 million to HOPE VI.

Ten Republicans voted against the budget resolution on the House floor. Some did so because they felt there was too much spending in the bill, while a handful of moderates voted against it because of the tight spending cuts.

Majority Leader Tom Delay (R-TX) is said to be hopeful that the budget will go to conference as early as Monday. Although it is unlikely to happen, the goal is to have the bill out of conference before the House adjourns for a two-week recess on April 2.

HUD and USDA Approps Hearings Held; NLIHC Urges More Housing Funds

Two appropriations hearings related to housing were held in the House on Thursday, March 25. At one, advocates were given the opportunity to testify before the VA-HUD Appropriations Subcommittee on the FY05 HUD. At the Appropriations Subcommittee on Agriculture and Rural Development, Administration officials testified on the President's FY05 budget request for USDA, including Section 515, the rural rental housing program. Witnesses at USDA hearing included Acting Under Secretary for Rural Development Gilbert Gonzalez, Rural Housing Service Administrator Arthur Garcia, and Deputy Administrator for Community Development Luis Luna.

The House VA-HUD Appropriations Subcommittee heard from 75 witnesses in a marathon meeting. Many

organizations, including NLIHC, testified in opposition to the Flexible Voucher Program. NLIHC President Sheila Crowley called upon the subcommittee to fully fund all vouchers in use and reject the President's proposed policy changes to the program. She also asked that the subcommittee provide enough funds to fund 75,000 new incremental vouchers. Representative Sanford Bishop (D-GA) urged NLIHC to "keep pressure on HUD," agreeing with Ms. Crowley that the President's proposed Flexible Voucher program would be detrimental to low income families.

Ms. Crowley also raised the importance of rental housing production and the need to enact a National Housing Trust Fund. Further, she said that in the meantime, the subcommittee should allocate \$200 million to the HOME program for the production of affordable rental housing for extremely low income families. "Surely, we can afford to put as much money toward the most serious housing problem in the United States as the President is requesting for down payment assistance through the HOME program," Ms. Crowley said.

Representative Marcy Kaptur (D-OH) lauded NLIHC for all of its work and praised NLIHC's Chair Emeritus Cushing Dolberare for her advocacy on low income housing programs. She asserted that there was a "lack of commitment at HUD" for low income housing programs and that "housing should be in front of the line to bring the country out of a recession."

The President has requested \$5.3 billion for USDA rural development housing programs. However, the President's budget request for the Section 515 program is \$56 million less than what was allocated in FY04. The funds requested would not support any new construction and would allow only for repairs and rehabilitation of current projects. Despite the drastic cuts proposed for Section 515, Mr. Gonzalez testified that the Administration's FY05 budget proposal for rural development programs was "absolutely sufficient."

Hearing on Zero Down Payment Act; Need for National Housing Trust Fund Cited

The Housing and Community Opportunity Subcommittee of the House Financial Services Committee held a hearing on March 25 to consider H.R. 3755, the "Zero Down Payment Act," which was introduced by Representative Patrick Tiberi (R-OH) on February 3. The proposal would eliminate the down payment and closing cost requirements for families acquiring Federal Housing Authority (FHA) insured mortgages. Witnesses included HUD's Assistant Secretary for Housing

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Update from the Field Organization Helps to “Green” Affordable Housing

It is possible for housing to be both affordable and “green,” says Global Green USA. The organization has had success in helping developers create affordable housing that supports reduced utility costs and a healthier environment, and adds to the value and longevity of homes.

By encouraging builders of affordable housing to use natural ventilation, durable and non-toxic materials, solar heat, and features that capture the values of daylighting, Global Green has helped to create benefits for homeowners and renters. Some of the group’s primary achievements include collaborating with Habitat for Humanity to develop green housing and providing technical assistance to nonprofit developers.

The group also works to develop and advocate for policy initiatives, such as the inclusion of green criteria in the California Tax Credit Allocation Committee Guidelines and the Los Angeles Housing Trust Fund.

Affordable green housing makes sense for many reasons, says Mary Luevano, Global Green’s Policy and Legislative Affairs Director. In addition to reducing utility costs, the housing can help alleviate problems related to toxic building materials and poor air quality, which tend to predominantly affect low income homes.

At Colorado Court in Santa Monica, CA, Global Green assisted the Community Corporation of Santa Monica in completing 44 units of green affordable housing in 2002. By orienting the building to exploit natural sunlight and prevailing winds in order to reduce energy needs, and using photovoltaic (solar) panels and a natural-gas-powered turbine to generate energy, residents now save approximately \$10,000 per year in energy costs.

Also in Santa Monica, the two organizations worked together to rehabilitate another 34 units of affordable housing, originally built in the late 1960s, to be more ecologically responsible. By adding new energy efficient windows, insulation, skylights, fluorescent light bulbs, and low-flow showerheads, the development was able to lower its energy usage by 22% and natural gas usage by 39%.

It makes sense to target affordable homes for greening, Ms. Luevano says, because the community groups that maintain properties for extended periods of time will reap extensive benefits from lowering maintenance

(See Update from the Field on p. 5)

Resources Examining the Housing Market

The Federal Deposit Insurance Corporation (FDIC) has released its Spring 2004 edition of “FDIC Outlook.” While this publication is geared toward financial institutions and regulators, the first section of the current issue looks at implications of the current housing market boom and analyzes the possibility that this boom may be a ‘bubble’ situation ready for a correction. Other sections look at regional economic forecasts.

Given that home prices have outpaced income growth over the past several years, some forecasters have become increasingly concerned that the nation is experiencing a housing market bubble, and that rising home prices have become divorced from economic fundamentals. The FDIC report looks at these concerns, but finds that any widespread decline in home prices remains unlikely, even given an eventual rise in mortgage rates.

The authors also argue that housing may be more resistant to bubbles than other financial assets, noting that housing has large transaction costs, has tax advantages, provides ‘utility’ (as in people can actively use the housing asset by living in it) that other assets do not, and is more tied to local conditions than other assets. The local nature of the housing market is especially important to note, and the report provides some examples of how local markets differ. While some markets, such as Des Moines, have generally experienced relatively stable housing markets, others, such as Los Angeles, have seen much more pronounced boom and bust cycles. The authors use these examples to show that looking at the housing market from strictly a nationwide perspective is problematic.

The report notes that while any large-scale housing market crash is unlikely, some households are more vulnerable than others to financial fallout from any correction. Specifically, the growing use of home equity lines of credit and adjustable-rate mortgages has made some homeowners more vulnerable to credit problems, especially when interest rates increase.

The rest of FDIC Outlook provides regional economic and housing forecasts with an emphasis on how these trends affect the banking industry. While these regional reports are specifically geared to financial institutions, they may be interesting to those wanting more information on regional economic trends from a different perspective.

The Spring 2004 Outlook, along with back issues, can be downloaded from the FDIC website at www.fdic.gov/bank/analytical/regional/index.html.

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ing and Federal Housing Commissioner John Weicher as well as representatives from community and industry groups, including NLIHC President Sheila Crowley.

The Act, which HUD says will serve 150,000 households in the first year, would allow lenders to offer mortgages to low and lower middle income first-time homebuyers who meet FHA underwriting requirements but who do not have the savings to pay the 3% down payment currently required. In exchange, homebuyers would pay increased mortgage insurance premiums over the life of the mortgage. The premiums are expected to generate \$184 million in revenues, which will be used to reduce the deficit.

Most of the hearing concentrated on limiting risk and foreclosures among program participants by establishing effective means of assessing the risk that potential borrowers would place on the FHA reserve. Mr. Weicher stated that a scorecard system similar to the one used for the current FHA-insured mortgages would be used to assess the risk of each potential borrower. In order to limit risk, Representative Barbara Lee (D-CA) proposed an amendment to the bill that would establish mandatory counseling.

Representative Arthur Davis (D-GA) inquired whether language that would target predatory lending by FHA-insured lenders should be included, and he urged Mr. Weicher to provide concrete data showing that HUD is reducing predatory lending. In his testimony, Nehemiah Corporation CEO Scott Syphax expressed concern that increased mortgage costs would “expand the risk that families utilizing the program will not be able to meet their mortgage obligations.” As a result, he suggested a hard cap on mortgage insurance premiums. And Representative Maxine Waters (D-CA) questioned whether the program should be targeted only to those who do not have the saving necessary for a down payment, as opposed to those who could but did not want to place a down payment.

Although most of the hearing concentrated of increasing homeownership, there was an underlying current of discussion about the necessity of adequate access to rental housing to assure a diverse and robust housing market. Ms. Crowley focused her testimony on the inability of the program to meet the needs of very low income people, stressing the need for legislation that would assist renters as well as homebuyers. National Housing Council Director Conrad Eagan testified that without adequate rental housing, many cannot achieve the credit record that is necessary to make the step to homeownership. Deane Dolben, representing the Na-

tional Multi-Housing Council, said that “time has come to ask whether a ‘homeownership above all else and at any cost’ policy is wise.”

The issue of the National Housing Trust Fund was raised during the hearing. Representative Bernie Sanders (I-VT), lead sponsor of Trust Fund legislation in the House, called on Subcommittee Chair Bob Ney (R-OH) to hold a hearing on the Trust Fund. Mr. Ney did not commit to doing so. When asked by Mr. Sanders why businesses would support legislation such as the National Housing Trust Fund that would facilitate rental production, Ms. Crowley stated that businesses recognized the need for diverse housing for a diverse work force.

Senate Banking Committee Gears Up to Consider GSE Bill

Senate Banking Committee Chair Richard Shelby (R-AL) is developing a draft bill to establish a new regulator for the government-sponsored entities, and the bill is tentatively scheduled for mark up in the Banking Committee the week of March 29. It appears that efforts are on track to have a single regulator for the GSEs, as suggested by GAO (see February 13 *Memo*). Reports indicate that the regulator would consist of three separate entities: One to deal with Fannie Mae, one to deal with Freddie Mac, and one to enforce the affordable housing goals.

However, the draft also includes language that would give the new regulator the power of “receivership” over Fannie and Freddie, meaning the regulator would have the ability to take over the GSEs and sell their assets if they were to fail. Fannie has strongly resisted such an arrangement in the past, saying that existing legal arrangements are adequate to cover its debt securities. However, others argue in favor of giving receivership authority to the regulator because it would send a signal to investors that the government does not guarantee the debt of the GSEs if the companies were to fail. The receivership provision appears to be a stumbling block to moving the legislation forward, and the short period remaining on the legislative schedule could limit the chances of a bill this year.

In preparation of the mark up of a bill in the Senate, NLIHC joined a March 24 letter to the chairs and ranking members of the Senate Banking Committee and House Financial Services Committee urging them to protect and strengthen the affordable housing mission of Fannie Mae and Freddie Mac. In a letter signed by 20 groups that advocate for affordable housing, including The Enterprise Foundation, the National

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Capitol Hill *(cont'd from p. 4)*

Council of State Housing Agencies, and the Center for Community Change, the signers urged Congress to ensure that the GSEs sustain and expand their affordable housing efforts.

Senate Debate on TANF Set for Monday

The Senate is scheduled to begin debate on TANF reauthorization legislation (H.R. 4) on Monday, March 29. As passed out of the Senate Finance Committee in September, the bill would increase work requirements from 30 to 34 hours a week, with hours that a person spends in job training or vocational education counting towards the requirement. And the bill would provide \$1 billion above current levels for childcare funding over the next five years, although this amount is inadequate to meet the demand from the increased work requirements. Finally, the bill includes funding for states to develop marriage promotion programs.

Advocates remain concerned that there might be an attempt to add housing programs to the "superwaiver" proposal in the bill. As reported in last week's *Memo*, the "superwaiver" would be a 10-state demonstration program allowing governors, with the permission of cabinet secretaries, to waive federal laws and regulations related to TANF, the child care block grant, and the Social Services Block Grant (SSBG). The "superwaiver" could also allow states to supplant state funding with federal funding, thereby causing programs to lose funding.

The original Senate version of the "superwaiver" proposal included public housing and HUD homeless programs, but advocates were able to help convince Senators not to include them. Advocates are working diligently to ensure that housing remains out of the Senate version of the proposal. Unfortunately, the House bill does include public housing and homeless programs in its "superwaiver" proposal.

Other amendments expected to be offered during the floor debate include an amendment by Senators Olympia Snowe (R-ME) and Christopher Dodd (D-CT) that would increase child care funding by \$6 billion.

As debate on the bill is expected to last several days, a vote on the bill has not been scheduled. Because the most recent extension of the TANF program is set to expire on March 30, the Senate recently passed a bill to extend the program through June 30. The Senate extension does not make any policy changes to the program. The House also introduced an extension bill, but the House version would require states to increase their work participation rates (see March 19 *Memo*).

The House passed H.R. 4 in February 2003.

HOPWA Briefing Held

The National AIDS Housing Coalition last week held a Housing Opportunities for People With AIDS (HOPWA) briefing to educate congressional staff about the HOPWA program and the importance of full funding in FY05, and to honor Representative Christopher Shays (R-CT) and Senator Christopher Bond (R-MO) for their work on the program.

HOPWA is a HUD-administered grant program that provides housing assistance and related supportive services for low income people living with HIV/AIDS and their families. The Administration's FY05 budget request for the HOPWA program is \$295 million, \$2 million less than what the President requested last year. The National AIDS Housing Coalition supports funding HOPWA at \$350 million in FY05.

The briefing included testimony from practitioners and clients of the HOPWA program, who described how HOPWA has improved communities and lives. Practitioners noted that while HOPWA has been a great resource for providing stable, affordable housing, several barriers to affordable housing remain, including low vacancy rates and long waiting lists for affordable housing and rental subsidies. Program practitioners specifically discussed the intersection between the HOPWA program and the housing voucher program, with one practitioner saying that "we can't work in isolation." "One of our biggest hurdles is lack of affordable housing stock," another practitioner noted.

For more information: National AIDS Housing Coalition Executive Director Nancy Bernstine at 202-347-0333, or www.nationalaidshousing.org.

Bills at a Glance

Current information on legislation being tracked by NLIHC is available through NLIHC's legislative action center, at <http://capwiz.com/nlihc/issues/bills/>.

Update...Field *(cont'd from p. 3)*

and utility costs and extending the life of building materials. Further, Ms. Luevano states that if Global Green can establish greening techniques in affordable housing, there is no reason that for-profit builders should not do the same.

Ms. Luevano concludes that making green housing accessible to all renter and homeowners is a challenge that can be met. "It is less often a matter of cost than it is a matter of educating builders, architects, and developers about green techniques and materials," she said.

For more information: mluevano@globalgreen.org or www.globalgreen.org.

Point of View *(cont'd from p. 1)*

eral deficit. He did not mention that he has not expended any political capital to try to get the homeownership tax credit bill passed, nor that the bill's chief sponsor in the Senate is Senator John Kerry (D-MA), making it unlikely that he will work for its enactment any time this year.

What took me by surprise, however, was his assertion that there is causal relationship between his tax cuts and the growth in homeownership. There are a lot of reasons that homeownership continues to expand, including low interest rates and aggressive expansion of mortgage products that target people traditionally denied access to homeownership, but this was the first time I had heard any claim of direct association with the tax cuts.

I went back and looked at HUD's own quarterly *U.S. Housing Market Conditions* to pinpoint the growth in the rate of homeownership over the last several years. In 2003, 68.6% of all households owned their own homes, a record high. In fact, we have been setting record highs every year since 1997 when homeownership reached 65.7%, surpassing the previous record of set in 1980. Between 1997 and 2003, the rate of growth was 2.9%. From 1997 to 2000, it grew by 2%. From 2000 to 2003, it grew only by .9%. If the tax cuts of 2001 and 2003 had any effect on homeownership rates, it seems more likely that they caused the rate of growth that surged upward at the end of the 1990s to slow down.

Rather than claim credit for the health of the housing industry, it seems to me that the Bush Administration ought to be thanking its lucky stars that the housing industry has been holding the economy up and preventing extensive job losses in the housing industry.

Fact of the Week

States by share of housing cost-burdened extremely low income renter households

Percent of cost-burdened extremely low income renter households by state:

States with the highest shares:

California	77%
Alaska	76%
Oregon	75%
Utah	75%
Washington	75%

States with the lowest shares:

Kentucky	63%
West Virginia	62%
Mississippi	62%
Alabama	62%
South Dakota	59%

Housing cost-burdened extremely low income renter households refer to households with under 30% of the area median income paying 30% or more of their household income on gross rent.

Source: NLIHC, 2004. *Losing Ground in the Best of Times: Low Income Renters in the 1990s*.

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. Membership information is available at www.nlihc.org.



About NLIHC: Established in 1974, the National Low Income Housing Coalition is dedicated solely to ending America's affordable housing crisis. NLIHC educates, organizes, and advocates to ensure decent, affordable housing within healthy neighborhoods for everyone. NLIHC provides up-to-date information, formulates policy, and educates the public on housing needs and the strategies for solutions.

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