

MEMO OF MEMBERS

The Weekly Newsletter of the National Low Income Housing Coalition

Volume 9, Issue No. 37 • September 24, 2004

National Housing Trust Fund

Discharge Petition Has 135 Signatures

Since it opened for signatures the evening of Tuesday, September 21, 135 Members of Congress have signed the discharge petition for National Housing Trust Fund legislation. The petition, H.Res. 748, was filed in an attempt to move the Trust Fund bill out of committee and onto the House floor for a vote. If 218 Members sign the petition, the bill has the opportunity to come to the floor for debate and a vote.

The lead cosponsors of the petition, Representatives Barbara Lee (D-CA), Bernie Sanders (I-VT), and Michael Capuano (D-MA), joined by other Members, held press events on Thursday to highlight the progress of the petition. In addition, in a "special orders" session on the House floor on Thursday evening, Members spoke for one hour about the petition and the need for a National Housing Trust Fund.

At the press conference, Financial Services Committee Ranking Member Barney Frank (D-MA) said Members had no option but to file a discharge petition on this bill in order to move it forward. Mr. Sanders, the original sponsor of H.R. 1102, agreed. "There's no question that if this bill gets to the floor it will pass overwhelmingly," he said.

"This discharge petition is not even as much as we should do," Mr. Capuano said, adding that it would be a good start. "Either you believe in the right to basic and decent housing or you don't, and if you do, you have to put some money towards it." Representative Sheila Jackson Lee (D-TX) added that funding for housing would also be good economic stimulus.

Members of Congress thanked the Campaign's endorsers for their support and urged them to keep pushing for the Trust Fund. "We must be very, very vocal, and as strong as advocates as possible," Representative Maxine Waters (D-CA) said. "Let us hope that in some way we can light a fire." Charles Gould, National President of the Volunteers of America, stressed that the more than 5,200 organizations supporting the Campaign
(See **NHTF** on p. 9)

Capitol Hill

Senate Appropriations Committee Takes Action

The full Senate Appropriations Committee marked up its FY05 appropriations bill, S. 2825, on September 21. Senate VA-HUD Subcommittee Chair Kit Bond (R-MO) announced in his opening statement that none of the HUD programs are funded at less than the FY04 levels. This is in contrast to the House appropriations bill (see *Memo*, July 23), which inflicted substantial cuts to all HUD programs with the exception of Section 8 tenant- and project-based programs.

Advocate efforts from around the country were evident in the strong funding level provided for the Section 8 program in the Senate bill. The allocation for the Housing Certificate Fund, which includes funding for both project- and tenant-based Section 8 programs, is \$20.7 billion, an increase of \$2.2 billion over the President's budget request, and is estimated to be sufficient to fund all vouchers currently in use. The Committee report expressed concern about HUD's failure to adequately implement the funding for FY04.

(See **Capitol Hill** on p. 2)

POINT OF VIEW

by Sheila Crowley, President

What do the "middle-class tax cuts" that the House and Senate passed this week and President Bush's "ownership society" have to do with one another? They both are rhetorical camouflage for policies that will enrich the few at the expense of the many.

As Robert Greenstein details in his new paper "New 'Middle-Class' Tax Cut Bill Represents Cynical Policymaking," (www.cbpp.org), 70% of the tax cut will go to people in the top fifth of income distribution and 47% will go those with incomes in top 10%. Only 9% of the benefits will go to people in the 20% of the income spectrum, the so-called middle class. What is worse, these tax cuts will cost \$200 billion over the next ten years with reduced revenue and increased interest costs on the national debt, adding to the latest CBO estimate of a \$4.4 trillion federal deficit for the next decade. Members of Congress who know better voted for this tax cut despite its contribution to the deficit, because they were afraid to vote against a tax cut this close to the election. It seems a \$4.4 trillion deficit is too abstract a concept for the average voter to grasp.

Just as cynical is the exploitation of the American dream of home-ownership to "provide pseudo-populist cover to policies that are, in reality, highly elite," to quote *New York Times* columnist Paul Krugman (August 12, 2004). Read the details of the Bush ownership society plan and you will see that is about much more than home-ownership and small businesses (www.whitehouse.gov/news/releases/2004/08). It includes health savings ac-

(See **Point of View** on p.9)



NATIONAL LOW INCOME
HOUSING COALITION

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

The current requirement that three-quarters of all vouchers go to extremely low income families was strongly endorsed in the report. The report also states that the Committee does not agree with the Administration's belief the Section 8 program is so flawed that it cannot be corrected without converting the program to a block grant program. The Senate bill did not divide the Section 8 account into two distinct accounts, one for tenant-based and one for project-based vouchers, as did the House legislation.

The report indicates that the Committee thinks a budget-based voucher program "may be a viable solution to control costs, although the Committee is concerned about the ability of the current data collection system to determine the appropriate level of funding for individual Section 8 programs to meet the housing needs of the neediest families."

Because of cost concerns, the bill caps the amount PHAs will receive for vouchers at 102% of the PHA's cost for the total number vouchers under lease as of October 1, 2004, plus an inflation factor. The cap may also be adjusted by the HUD Secretary because of high utility costs, substantial decreases in tenant contributions, or when an owner has appealed. In addition, language included in the report gives public housing authorities 60 days to correct overleasing, which is an improvement over the zero days authorities currently have.

The bill's report also states that it is not clear that the relatively recent practice of outsourcing project-based contract administrators saves money or improves resident services. The report urges HUD to reconsider the decision to contract-out administration of the program.

The bill also authorizes the transfer of project-based subsidy from one multifamily housing project to another when the transferring project is either physically obsolete or economically non-viable.

The bill includes \$2.7 billion for the public housing capital fund. Included in this account is \$15 million for the Neighborhood Networks Initiative in public housing, to establish and operate computer centers in and around public housing.

For public housing operating funds, the bill includes \$2.6 billion to operate 3,000 public housing authorities. Legislative language would require all PHAs to convert to a calendar year budget in order to ease HUD's management of authorities and to allow easier tracking of costs. The committee also includes \$15 million for a program, recommended by the Administration, that

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would award bonuses to PHAs that move families away from dependence on housing assistance. The report requires clear criteria to be outlined in regulations. According to the Administration's proposal, the program would operate within the current regulatory and statutory guidelines of public housing.

The Senate bill also prohibits PHAs from using any funds related to any federal, state or local election. Specifically, this would include restrictions on voter identification, get-out-the-vote activities, campaign activities to promote a party or a candidate, communications that promote or oppose a candidate, and even voter registration.

The Community Development Block Grant program received \$4.9 billion for FY05, \$331 million over the President's budget request. HOPE VI received \$150 million while the President's budget did not recommend funding the program. The HOME program was funded slightly higher than in FY04, and it includes \$50 million for the American Dream Downpayment Act.

The bill provides funding for homeless programs at roughly FY04 levels. Like the House bill, 30% of Homeless Assistance Grants must go to permanent housing. The report also directs HUD to provide flexibility in defining what type of activities qualify in meeting the match required under the supportive housing program.

The committee report encourages HUD to make the Section 202 program for the elderly better targeted to extremely low income elderly households. And, the bill allows for some funds to be used to meet capital repair needs. The report directs HUD to work with HHS on naturally occurring retirement communities (NORCs) to coordinate expertise and resources.

The Senate bill provides \$250 million for Section 811 housing for persons with disabilities, an increase of about \$908,000 over FY04. As in years past, the Committee directs HUD to ensure that all tenant-based assistance made available under the Section 811 account be dedicated to persons with disabilities upon voucher turnover.

The bill provides slightly less funding for fair housing education and enforcement, about \$17,000 less than in FY04. HUD's Office of Lead Hazard Control would receive about \$1 million more than in FY04 for lead reduction efforts.

The bill did not include the Administration's proposed FHA Zero Downpayment program. The report expressed

(See Capitol Hill on p. 3)

Capitol Hill *(cont'd from p. 2)*

concern that the proposal poses substantial financial risks to the FHA Single Family Mortgage Insurance Program.

The next steps for the VA-HUD appropriations bills are unknown. With the new fiscal year beginning October 1, there is almost no opportunity for the House and Senate to pass their respective bills and then meet in conference to iron out their differences before that date. It is expected that a Continuing Resolution (CR) will be passed to keep the government running after October 1. Congress may do one week CRs in early October to put pressure on both houses to pass as many of the 12 remaining appropriations bills as possible before adjourning for the November election. It is more likely that the VA-HUD bill will eventually end up in an omnibus appropriations bill that is passed in a lame duck session.

Tax Cut Bill Passes

As the Congressional Budget Office projected a cumulative 10-year deficit of \$3.6 trillion, the House and Senate on September 23 extended various tax cuts for one to five years at a cost of \$146 billion.

Senators Olympia Snowe (R-ME), Lincoln Chafee (R-RI), and Ernest Hollings (D-SC) were the only Senators to oppose the tax cuts, saying they have concerns about the impact of the bill on the federal deficit. Democrats unsuccessfully tried to expand tax breaks to families with incomes as low as \$10,000.

Among its provisions, the bill (H.R. 1308) maintains the child care tax credit through 2009, extends the alternative minimum tax exemption threshold through 2005, and provides numerous corporate tax breaks. An even broader, and more expensive, corporate tax bill is on deck for deliberation the week of September 27.

Samaritan Initiative Introduced in Senate

Legislation authorizing the President's request for a Samaritan Initiative, including \$70 million in grants to organizations that assist people experiencing long-term homelessness with housing, treatment, and support services, has been introduced in the Senate.

S. 2829, introduced by Senate Housing and Transportation Subcommittee Chair Wayne Allard (R-CO), amends the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11136 et seq.) with the goals of reducing homelessness, promoting self-sufficiency and recovery programs, and increasing homeless people's access to non-homeless-specific programs.

Samaritan Initiative grants would be administered by the
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departments of HUD, Health and Human Services, and Veterans Affairs, with consultation from the Interagency Council on the Homeless. HUD would receive \$50 million, HHS would receive \$10 million, and \$10 million already allocated to the VA for treatment of homeless veterans would be shifted to this program.

The bill is cosponsored by Senator Elizabeth Dole (R-NC) and has been referred to the Committee on Banking, Housing, and Urban Affairs. A House version (H.R. 4057), was introduced March 30 by Representative Rick Renzi (R-CO) (see *Memo*, April 2 and July 16).

The Senate Appropriations Committee's Labor-HHS-Education FY05 spending bill, S. 2810, includes \$10 million for the Samaritan Initiative. The House version of this bill, H.R. 5006, does not have any Samaritan Initiative funding. According to the Senate bill's report, the Senate Appropriations Committee encourages the Center for Mental Health Services, within HHS's Substance Abuse and Mental Health Services Administration, "to award these grants to applicants that operate permanent supportive housing funded by HUD's Homeless Assistance Programs, Section 8, or comparable programs administered by states or local governments."

TANF Extension Introduced

Senators Rick Santorum (R-PA) and Evan Bayh (D-IN) introduced S. 2830 on September 22. The bill extends the Temporary Assistance for Needy Families program for six months, past its September 30 sunset. However, the bill also provides \$600 million over two years for marriage promotion and fatherhood initiatives. Efforts to bring the bill to the floor by unanimous consent were blocked by Democrats, but the bill could still come to the floor at any time.

Low income advocates are making the case that families have immediate needs for child care and education and that funds from these and other needs should not be diverted into unproven strategies. To keep funds targeted to where they are most needed, advocates have been asking for a multi-year extension without significant policy changes.

Military Housing Inches Forward

After a long delay, the House has passed a \$10 billion military construction bill (H.R. 4837), with implications for military housing. The overall bill contains \$450 million more than the President's request, but it does not include a provision to lift the funding cap for a program that has privatized the building and renovation of family housing for uniformed personnel. Unless the cap is lifted, it is estimated that 50,000 families will have to wait for improved homes.

(See Capitol Hill on p. 4)

The privatization scheme speeds up construction but does not necessarily reduce costs (see *Memo*, July 23). The Senate version of the bill contains language that would create a Pentagon study into the impact on military housing if Congress does not increase or remove the cap. The Senate's language will allow the provision to be negotiated in the Senate-House conference. There are also efforts to shift budget authority within the defense authorization bill (H.R. 4200) to fund the program.

National Weatherization Day Proposed

Representative Marty Meehan (D-MA) has introduced a resolution to make October 30 National Weatherization Day, recognizing the help the Weatherization Assistance Program provides to low income households and the continuing need for affordable home energy costs.

Low income households spend more than 14% of their annual income on utility bills, compared to the national average of 3.5%. But weatherized homes save their owners an average of \$350 a year in utility costs. The Weatherization Assistance Program was begun in 1976 and supports 25,000 jobs in weatherization-related industries, as well as reductions in carbon dioxide emissions and the need for foreign oil. "Weatherization works," Mr. Meehan said, "but only if those in need know that help is available. A National Weatherization Day will be a rallying point to raise awareness and allow more families to achieve self-sufficiency."

The resolution, H.Res. 777, has seven cosponsors and has been referred to the House Committee on Government Reform.

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/>.

Housing in the Election

National Homeless and Low Income Voter Registration Week Set

As political pundits talk about the youth vote, the veterans' vote, and the soccer and security mom vote, housing and homeless service providers and advocates are putting their energies into helping ensure a significant increase in the percentage of low income and homeless voters who make it to the polls on Election Day. While efforts to increase homeless and low income voter turnout have been ongoing, organizers in at least 35 states will highlight the importance of the homeless and low income vote during National Homeless and Low Income Voter Registration Week, set for September 26 through October 2.

In Minnesota, a coalition of housing providers and advocates (See *Election on p. 6*)

SPECIAL REPORT

FY04 VOUCHER FUNDING CRISIS

IL Judge Rules in Favor of Tenants

The litigation against the Housing Authority of Elgin, IL, over the pending termination of Section 8 vouchers (see *Memo*, September 3) was resolved in favor of the three tenants who had filed the suit. During a break in a hearing before a judge in Kane County Circuit Court, the Elgin Housing Authority agreed to continue rental assistance for the three low income families that were about to lose their homes.

The suit, filed by lawyers for Prairie State Legal Services, protects only the three families who filed it, and there is concern that other families may have already been notified that they are losing their subsidies. The Elgin Housing Authority executive director did not respond to queries by reporters about other families that might be in a similar position. One of the residents who filed the suit, teacher's aide Shirley Anderson, told the *Chicago Tribune* she was relieved that she and her family would be able to remain in their home.

HUD

FMR Revisions a Hot Topic: Comment Period Extended

Even though the proposed 2005 FMRs were released in early August with only a one month comment period, statements emanating from HUD suggest that between 300 and 500 public comments on the topic were received prior to the initial September 7 deadline. In recent weeks, Members of Congress, including Representative Christopher Shays (R-CT) and Senator Hillary Rodham Clinton (D-NY), have sent letters to HUD asking the agency to delay implementation of the new FMRs until it has received all public comments, and also until it completes the additional rent surveys it is conducting in many areas through the month of October. The amount of press attention the FMRs changes are receiving is also increasing; press this week included a front-page story in the *New York Times*.

HUD has provided an additional comment period that lasts through November 8. For more information on how to make a comment or to see data on FMR changes and a list of counties where HUD is currently conducting rent surveys, go to www.nlihc.org/2005fmrs/index.htm. Public comments from NLIHC and groups nationwide can also be found at www.nlihc.org/2005fmrs/statecomments.htm.

HUD Marks 30th Anniversary of CDBG

The Community Development Block Grant (CDBG) program turned 30 in September, and HUD marked the occasion with a 2-day conference the week of September 13. The conference included plenary sessions on both the first

Update from the Field Focus on Supportive Housing and Homelessness in KY

Supportive housing and measures to address homelessness have been high on the radar screen in Kentucky. On September 13, the Kentucky Housing Corporation (KHC) released a draft Qualified Allocation Plan (QAP) that would direct a substantial proportion of the state's Low Income Housing Tax Credits toward supportive housing.

In addition, the Kentucky Council for Homelessness Policy—a group of state agencies, advocates, and service providers—has been holding a series of community meetings across the state as it develops a 10-year plan to end long-term homelessness. At the same time, KHC, in cooperation with the Homelessness and Housing Coalition of Kentucky, has been convening regional, day-long meetings of non-profit service providers and housing developers to facilitate the creation of new partnerships to develop supportive housing.

The draft QAP for tax credits would set aside \$3.25 million for supportive housing serving people with special needs, out of a total of \$7.4 million. To receive an allocation of tax credits, applicants would have to show that their properties combine housing with comprehensive, results-based services. A public hearing was held on the draft QAP, with some in attendance expressing misgivings about the size of the setaside for supportive housing. KHC is planning to hold an additional meeting in connection with its release of a final QAP.

The focus of the QAP reflects the interest of KHC's new board chair, Don Ball. Mr. Ball is a private housing developer with an interest in supportive housing and a goal of having supportive housing projects developed in every region of the state. In addition, advocates have worked hard over the past several years to bring more attention to the need for supportive housing.

Harry Carver, Supportive Housing Policy Coordinator for KHC, said he feels optimistic about the state's permanent supportive housing initiative. "More and more people understand the benefit of providing this type of housing for those who need ongoing support. It serves as an important component of eliminating homelessness," he said.

From late August until early October, the Kentucky

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Council on Homelessness Policy will hold 14 community forums around the state to solicit input into the 10-year plan. (For background on the Council, see *Memo*, November 7, 2003.) These forums are open to the public and are held in the evening so that people who do not work in the field can participate.

According to Mr. Carver, who serves as staff to the Council, the goal of the forums is to learn more about barriers at the local and state levels to addressing homelessness in the various communities. The Council has also formed working committees on Discharge Planning, Substance Abuse Treatment, Accessing Mainstream Services, and Mental Health Treatment and Ancillary Services, to solicit additional information from stakeholders for the development of the 10-year plan.

After gathering information and developing a draft plan, the Council will hold three regional, day-long sessions to review and amend the draft. The Council wants to ensure that the final plan presented to the Governor has the support of interested parties around the state.

In addition to serving as a member of the Council and partnering with KHC in securing the grant from the Corporation for Supportive Housing that enabled KHC to hire Mr. Carver, the Housing and Homelessness Coalition has contributed to the state's effort to expand and improve its supportive housing options by bringing together service providers and developers. These meetings serve as facilitated sessions for brainstorming and building cooperation.

The goal of the meetings is to encourage housing developers to work with service providers in the creation of supportive housing opportunities. The hope is that service providers will not feel forced into housing development, which may be outside of their area of expertise. Instead, they can turn to housing developers, who may have hesitated to build housing for members of the community requiring services because of uncertainty about how to provide those services. "Non-profits and state agencies are working together, creating momentum for the development of supportive housing," said Judy Levey, Executive Director of the Coalition.

For more information:

Harry Carver, Kentucky Housing Corporation and Kentucky Council on Homelessness Policy, hcarver@kyhousing.org. Judy Levey, Housing and

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Elections *(cont'd from p. 4)*

cates are hosting events each day during the national week to ensure that all of their clients and guests have an opportunity to take part. HousingMinnesota, for example, is hosting six candidates' forums, while the Council on Crime and Justice will hold a series of ex-felon community voter gatherings.

Project Outlook and the Minneapolis Highrise Representative Council (MHRC) will hold a presidential debate watch party on September 30 at one of the highrises that will serve as a polling place on Election Day. "We all need to educate ourselves about issues so we can make the politicians hear us this time," said Ruth Menzel, MHRC President. "That is why [MHRC] has committed itself to registering as many of our 5,000 public housing residents as possible and helping them get to the polls."

Ms. Menzel said she appreciates the national scope of efforts to connect affordable housing issues to voting issues, because candidates need to hear from low income people across the country before they will start listening to their needs. "No matter how much we tell them about our needs, they know that the lower the income, the lower the voter turnout," she said. "It's not fair, but it's factual."

In West Virginia, the Huntington Housing Authority, the Huntington Coalition for the Homeless, and the League of Women Voters will register voters at public housing sites and invite local candidates to a dinner to discuss important community issues.

In Illinois, the Moline Housing Authority is planning a community cookout with speakers emphasizing the importance of registering to vote and being educated about the process and issues. And on the west coast, the National Network to End Domestic Violence will hold voter registration trainings for its members in Washington state.

Also in conjunction with National Homeless and Low Income Voter Registration Week, two national coalitions are sponsoring separate days to highlight the importance of voter registration, education, and mobilization among diverse populations.

National Voice, a national coalition of nonprofit 501(c)(3) organizations plans, to register 200,000 new voters at workplaces, bus stops, shopping malls, and sports and cultural events, as well as on street corners, in all 50 states on September 28. The Children's Defense Fund, along with a national coalition of more than 10 youth advocacy groups, is sponsoring Youth Participation Day to highlight the role that youth will play in the November 2 election.

NLIHC and the National Coalition for the Homeless are jointly sponsoring the week, after the success of the National Low Income and Homeless Voter Registration Day on July 22, on *(Continued next column)*

which more than 1,100 new voters were registered.

For more information on the events in Minnesota, contact Joanna Dornfield at HousingMinnesota, 651-649-1710 x108. To learn about other events taking place during the National Week, to organize your own event, or to learn more about NLIHC's VREM Campaign, contact Katie Fisher at 202-662-1530 x222 or katie@nlihc.org.

Housing Leaders Call for Bipartisan Housing Platform

Two former HUD Secretaries, one Republican and one a Democrat, have issued a call to the President and Congress to set aside partisan differences and come together to "reassert housing as a national priority." Joined by Kent Colton, former CEO of the National Association of Home Builders, and Nicolas Retsinas, director of Harvard University's Joint Center for Housing Studies, Jack Kemp, HUD Secretary from 1989-1993 in the first Bush Administration and Henry Cisneros, HUD Secretary from 1993-1997 in the first Clinton Administration, issued a report on September 23, 2004 entitled *Opportunity and Progress: A Bipartisan Platform for National Housing Policy*.

The authors cite the importance of housing to family, community, and national well-being and offer twelve recommendations that are "pragmatic, plausible, and mutually reinforcing....In concert, they represent a bipartisan effort to achieve common ground." They also note that housing has traditionally enjoyed bipartisan support and regret the lack of healthy debate on housing today that is necessary to achieve common ground.

The twelve recommendations are:

1. end chronic homelessness
2. redirect public housing funding streams
3. protect and expand the housing choice voucher program
4. establish a national housing trust fund
5. eliminate regulatory barriers to the production of workforce housing
6. enact a federal homeownership tax credit
7. create incentives for employers to provide housing assistance
8. preserve the affordability of privately owned multifamily rental housing
9. redefine the affordable housing mission of the government-sponsored enterprises
10. prohibit predatory lending
11. institute university-based programs to train the nation's housing professionals
12. vigorously enforce the nation's fair housing and fair lending laws

Each recommendation is followed by a detailed explanation of what the recommendation consists of and examples from

(See Election on p. 7)

Resources

Rural Borrowers Victims of Disastrous Prepayment Policies

In a recent study released by the Center for Responsible Lending (CRL), researchers looked at a variety of locations to determine how prepayment policies were used in subprime lending situations. While more emphasis has centered on the plight of urban borrowers and their struggles with subprime lending and prepayment policies, CRL's study recognized that rural borrowers might have more difficult circumstances.

Notably, CRL found that subprime mortgages with prepayment penalties of up to or exceeding three years are more likely to be found among rural homeowners than urban ones. The report also noted that of the rural borrowers who received subprime home loans in 2002, almost 63% had a prepayment penalty of at least two years. Lastly, in comparing both urban and rural borrowers over a period of two years (2000–2002), rural borrowers jumped from being 8% to 20% more likely than their urban counterparts to receive a prepayment penalty of five years or more.

Reasons for the differences in the two groups of borrowers may include a variety of factors. Low income families living in rural areas, for example, are far more likely to own a home than those in urban areas. Since rural households often have lower incomes, financing a mortgage be very difficult, thereby opening the door for subprime lenders. This disparity may also result from the fact that there are fewer lenders in rural areas, allowing for less competition between lenders and a greater likelihood of families entering into a predatory loan. Because of the lack of prime loans available in their area, rural borrowers may feel they must settle for a questionable loan if they are to receive a loan at all.

One additional finding should lead to further study: The researchers observed that in zip code areas where higher concentrations of minorities lived, the prepayment penalty rose considerably. The data collected, however, did not specify the race of the borrower, so evidence found in this particular study was not conclusive.

In many ways, CRL sees this analysis as the beginning to more studies focused on lending to rural borrowers and specifically to minority borrowers in rural areas. However, the research in this report did show that prepayment penalties in subprime lending prove to be a large problem facing these groups. The report concluded with a plea to policymakers, urging them to act upon these issues. The full report can be found at www.responsiblelending.org/pdfs/kf-Rural_Borrowers-0904.pdf.

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Multifamily Structures' Effect on Local Schools

In a new study released by the National Association of Home Builders (NAHB), researchers endeavored to quell fears that the building of new multifamily structures will lead to overcrowding in local schools. Looking at results from the 2003 version of the American Housing Survey (AHS), the NAHB evaluated the number of children per household in order to determine what schools should anticipate in the implementation of multifamily housing.

According to the study, previous assessments of the number of school-aged children in multifamily units by the NAHB were much higher than recently determined figures. The data from the AHS shows that multifamily structures house only 36.9 children per 100 households; this is in comparison to the 61.4 children per 100 households recorded in single family detached households. Furthermore, large apartment buildings with more than 20 units contain only an average of 26.1 school-aged children.

Researchers point out that schools might base their expectations of student population growth on inaccurate information. Since people moving into newly constructed multifamily apartments are less likely to have children than those living in existing multifamily structures (26.5 children per 100 households v. 33.9), the schools could perhaps be overestimating the influx of students. Another factor considered was the number of bedrooms in each unit of a multifamily structure. The likelihood of children living in an apartment depended heavily on the number of bedrooms that the unit had. For zero- to one-bedroom apartments in multi-family buildings, there were 10.4 children, on average, for every 100 households. This differed greatly from the two-bedroom apartments, which housed 42 children, and the three and more bedroom apartments that held 93.4 children.

In the conclusion of the report, researchers urged schools to ensure the accuracy of their information, especially in the factors listed above, as they planned for incoming students. To view this report, go to www.nahb.org/fileUpload_details.aspx?contentID=28765

Election (cont'd from p. 6)

around the country of where these ideas are already in place. Indeed the authors stress that all their recommendations are based on local or state successes. The challenge is for the federal government to “assume its place at the table.” The recommendations are “about bringing housing resources to scale with need and increasing their flexibility.”

The publication will be available shortly on the website of the Joint Center for Housing Studies at Harvard, www.jchs.harvard.edu.

OFHEO Report Critical of Fannie Mae

The Office of Federal Housing Enterprise Oversight (OFHEO) notified the Board of Directors of Fannie Mae in a letter dated September 20, 2004 that the initial findings of its special examination of Fannie Mae's accounting and financial reporting processes indicate serious safety and soundness concerns. OFHEO's acting director Armando Falcon, Jr. said in his letter that he was transmitting the findings to date and not waiting until the full examination was complete, because the concerns were so serious that "immediate action is warranted." (To read the transmittal letter and report, go to www.ofheo.gov.) OFHEO made the report public on September 22 after briefing the Fannie Mae Board of Directors.

Ann McLaughlin Korologos, the Presiding Director of the Fannie Mae Board, issued a statement on September 22, saying the board is taking the OFHEO "report seriously and is working with OFHEO to resolve these matters." She notes that the Securities and Exchange Commission (SEC) is also conducting an "informal inquiry" into the matters included in the OFHEO report, and the board is fully cooperating with the SEC as well. Finally, she reports the formation of a committee of the board composed entirely of independent directors (i.e., those not in Fannie Mae management positions) that will work with OFHEO and the SEC, and that the committee has hired former Senator Warren Rudman as its independent counsel. (To read the Ms. Korologos's statement and an accompanying statement by Fannie Mae Chairman and CEO Franklin D. Raines, go to www.fanniemae.com.)

Congressman Richard Baker (R-LA), a long time critic of Fannie Mae, indicated he would be holding hearings on the OFHEO report in the Subcommittee on Capital Markets, Insurance, and Government-Sponsored Enterprises of the House Financial Services Committee. Senate Banking, Housing, and Urban Affairs Committee Chairman Richard Shelby (R-AL) said the report was "troubling" and again called for a stronger regulator of the GSEs. S. 1508, the GSE reform bill that was voted out of the Banking Committee on party lines, remains in a stalemate over the degree of power that a new GSE regulator would have. The lack of confidence in OFHEO as the GSE regulator also showed up the Senate VA-HUD-IA Appropriations Bill last week, which is withholding \$10 million from the OFHEO 2005 budget until a permanent director is hired.

FDIC NLIHC Submits Comments on CRA

"The CRA represents the cornerstone of our nation's private investment in low income multifamily construction and affordable housing lending. The proposed changes would drastically reduce bank assets accountable to meaningful lending, investing and retail services in communities in desperate need of legitimate financial commitments," NLIHC wrote to the Federal Deposit Insurance Corporation in re-

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sponse to proposed changes to the Community Reinvestment Act.

"Small banks" are currently exempt from the most meaningful CRA standards; the proposed rule would expand the definition of small banks to include most FDIC-regulated banks. The proposed changes to the CRA by the FDIC would greatly curtail housing investment and lending as well as retail services in low and moderate income areas. The proposal's impact on rural areas is particularly severe, as rural banks would be able to get CRA credit for just about any type of activity, regardless of what income group is served.

Advocates have until October 20 to submit comments, at www.fdic.gov/regulations/laws/federal/propose.html. NLIHC's comments, which advocates can use as a model for their own, are available at www.nlihc.org.

GAO GAO Issues Another Report on RHS

GAO continues its scrutiny of USDA's Rural Housing Program (see *Memo*, June 25), this week releasing a report on the rental assistance distribution process used by the program. This report finds that the program's internal controls do not provide adequate oversight, that there is insufficient guidance on how to transfer money within the program, and that there is no assurance that tenants' incomes and assets are adequately verified. While the report finds that alternative methods of verifying tenant information have their own drawbacks, internal control could be improved. The report can be found at www.gao.gov/new.items/d04937.pdf.

HUD (cont'd from p. 4)

and the next 30 years of CDBG as well as breakout sessions that highlighted issues from faith-based initiatives to energy.

Throughout the conference, special attention was given to increasing the use of 'performance measurement' tools to help communities manage local programs and assess productivity. "It's no fun dealing with OMB come budget time," HUD Deputy Secretary Roy Bernardi said in his opening address. "We need to be able to show results and provide accountability as to why CDBG should continue to be funded each year."

Mr. Bernardi also spoke against past attempts by Members of Congress to target more CDBG funds to low and moderate income families. "There is always pressure to make it rigid, but flexibility is the key to success," he said. He also emphasized the role that CDBG funds have played in rebuilding communities after the attacks of September 11.

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

counts, retirement savings accounts, life savings accounts, more and more tax cuts, and privatization of Social Security.

Ultimately the ownership society is about replacement of the graduated income tax with a flat tax. As John Cassidy writes in his article in the September 6, 2004 issue of *The New Yorker*, “despite a gaping budget deficit, (conservative economists who advise the President) are pressing (him) to continue down a route that will reverse almost a century of American history. Since the personal income tax was introduced in 1913, it has been based on two principles: the burden of taxation is distributed according to the ability to pay; and capital and labor carry their fair share. The Bush Administration appears set on undermining both of these principles” (p. 70).

It is about dismantling the systems of mutual aid that are the foundation of our social contract and creating a society of winners and losers. The mystery is how so many people can be duped into thinking they will be among the winners, when all evidence points to the contrary.

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NHTF *(cont'd from p. 1)*

“stand organizations supporting the Campaign “stand ready to do our part.” Ms. Lee closed the conference by saying, “This is about democracy.”

More information, including a link to the Members of Congress that have signed the petition, is at www.nhtf.org.

National Housing Trust Fund Picks Up Key Support.

Momentum for the National Housing Trust Fund was further spurred this week by the inclusion of a National Housing Trust Fund in *Opportunity and Progress: A Bipartisan Platform for National Housing Policy*, a call for unity on federal housing policies by former HUD secretaries Jack Kemp and Henry Cisneros, Kent Colton, former CEO of the National Association of Home Builders, and Nicolas Retsinas, director of Harvard University’s Joint Center for Housing Studies. (see article in Housing in the Election.)

In his September 23, 2004 column in the *Washington Post*, David Broder praised the bipartisan agenda offered by the Kemp, Cisneros, Colton, and Retsinas, noting the group’s inclusion of the Trust Fund among its twelve recommendations. “The recommendations strike me as practical and specific—not tilted to the left or the right,” he wrote. “For example, they endorse establishment of a National Housing Trust Fund, an idea that has gathered increasing support in Congress, to provide the capital needed to produce, preserve or rehab at least 1.5 million affordable housing units over the next 10 years.”

Fact of the Week

Multifamily Housing: Fewer School Age Children

School Aged Kids per 100 Households, by Structure Type

| | |
|------------------------|------|
| Single Family Detached | 61.4 |
| Manufactured | 53.8 |
| Single Family Attached | 47.0 |
| Multifamily | 36.9 |

Source: NAHB. *School Aged Children in Multifamily Homes? Very Few.*



National Low Income Housing Coalition
Memo to Members
September 24, 2004
Vol. 9, No. 37

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.