Testimony of Sheila Crowley, Ph.D., MSW
President and CEO of the National Low Income Housing Coalition
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Chairman Johnson, Ranking Member Crapo, and Members of the Committee, thank you for the opportunity to testify today on the issues of affordability in housing finance reform and in particular on the National Housing Trust Fund.

I am Sheila Crowley, President of the National Low Income Housing Coalition (NLIHC). NLIHC is dedicated solely to achieving socially just public policy that assures people with the lowest incomes in the United States have affordable and decent homes.

Our members include non-profit housing providers, homeless service providers, fair housing organizations, state and local housing coalitions, public housing agencies, private developers and property owners, housing researchers, local and state government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens. We do not represent any sector of the housing industry. Rather, NLIHC works only on behalf of and with low income people who need safe, decent, and affordable homes, especially those with the most serious housing problems, including people who are homeless. NLIHC is funded entirely with private contributions.

We organize our work in service of three overarching goals for federal housing policy:

- There will be no further loss of federally assisted affordable housing units or federal resources for affordable housing or access to housing by extremely low income people.
- The federal government will increase its investment in housing in order to produce, rehabilitate, and/or subsidize at least 3,500,000 units of housing that are affordable and accessible to the lowest income households in the next ten years.
- Housing stability in the neighborhood of one's choice, which is foundational to good health, employment, educational achievement, and child well-being for people with the lowest incomes, will be the desired outcome of federal low income housing programs.

The committee's work on housing finance reform has largely focused on how home mortgage financing should be structured and what role the federal government should play. These are thorny, complex issues of great importance to the American economy and to all facets of the housing and lending industry. But the reason that the federal government should be and is involved in the housing finance system is to make sure that the U.S. housing sector works for all people in our country, not just for the most fortunate.

I am here today to ask that you provide for the least fortunate in the legislation under consideration, people for whom the housing market does not work, people who cannot be reached through existing publically funded low income housing programs because the need far exceeds the resources. Specifically, I ask that you protect and fund the National Housing Trust Fund in your bipartisan bill.

Since 2000, NLIHC has led the National Housing Trust Fund campaign, a movement of more than 7,000 national, state, and local organizations located in every Congressional district. We celebrated when the National Housing Trust Fund was created in 2008 as part of the Housing and Economic Recovery Act (HERA). We are grateful to Senators Corker and Warner and the other cosponsors for including the Housing Trust Fund in S. 1217, just as we are grateful to Senator Reed for his authorship of the Housing Trust Fund provisions in HERA and to Senators Shelby, Crapo, Corker, Johnson, Schumer, Menendez, Brown, Tester, and Warner for their support of the Housing Trust Fund as part of HERA in 2008.

Each of us knows how important home is to us, to every aspect of our well-being. We only have to imagine what it would be like to be displaced even for a few days to realize how essential our homes are to our health and happiness. Imagine what it would be like to be without a home, or to be afraid you will lose your home, or to be consigned to a home that was cold or dangerous. Then imagine trying to care for your children under those circumstances. Imagine being a child growing up without a secure and safe home.

There is a growing body of research that validates what we all tacitly understand: home matters to who we are, how we learn, how we feel, and how we perceive the world around us. I have a picture in my office of a nine year child who when asked what home means to her answers “home is important as water and air.”

If it is the business of this Congress to look out for the well-being of all your constituents, and I believe it is, then you are obligated to do everything within your power to make sure everyone in our country has a decent and affordable home in which to grow up, in which to raise a family, from which to go out from and return to each day, and in which to grow old with dignity.

Why We Need a National Housing Trust Fund

All housing markets are local, but there is one fact that is true in every community in the country. No community has a sufficient supply of decent rental homes that are affordable to extremely low income families, defined as having incomes at or below 30% of the area median.

Thirty-one percent of the households in South Dakota[1] are renters; the average renter in South Dakota has income of $20,176 a year. The annual household income needed to afford a modest two-bedroom rental home in South Dakota is $26,665. An extremely low income family in South Dakota has an annual income of $18,784 or less.[2]

In Idaho, 29% of all households are renters and the average renter earns $21,902 a year. The minimum income needed to afford a modest two-bedroom rental is $27,593 a year, but

[1] Note: Housing and income data in SD may not reflect the total Native American population.
[2] Bravve, E., Bolton, M., and Crowley, S. (2013). *Out of reach 2013*. Washington, DC: National Low Income Housing Coalition.

extremely low income in Idaho is $16,932 or less.[3]

Who has incomes that low? They are service workers - retail clerks, day care workers, home health care aides - the people on whom the rest of us depend to get our jobs done. They are waitresses, day laborers, farm workers, and office cleaners. They are people who are elderly or with disabilities, whose income is primarily Supplemental Security Income (SSI). The annual income of an SSI recipient in South Dakota is $8,556; in Idaho, it is $9,012. South Dakota and Idaho are among the 21 states that supplement the federal SSI level.[4]

In 2011, there were 10.1 million extremely low income renter households in the United States and only 5.5 million homes renting at prices they could can afford. This is the only income group for whom there is an absolute shortage of homes. Worse, many of the homes renting in the price range that an extremely low income family could afford are in fact occupied by higher income people. The real shortage for this income group is 7.1 million units. Nationwide, there are just 30 homes that are available and affordable for every 100 extremely income renter households.[5]

The most important thing to know about the housing shortage for poor Americans is that it gets worse each time it is measured and the number has skyrocketed in the Great Recession. HUD reports that the number of households with worst case housing needs (households with incomes less than 50% of the area median and who pay more than half of their income for their homes) increased by 43% between 2007 and 2011.[6]

These findings are confirmed by everyone who studies the housing gap. Other recent analyses that I recommend the committee review are by the Joint Center on Housing Studies of Harvard,[7] the Bipartisan Housing Commission,[8] and former FHA Commissioner John Weicher.[9]

These data tell the story of families in your communities who have to choose to pay for food or heat, coats or medicine, and often get behind on the rent anyway and lose their homes. Then they have to move in with someone else or end up sleeping in their cars. I just heard from a service provider in rural Michigan about families living in deer blinds. Next time you are home, ask a local principal how many homeless children are enrolled in his or her school.

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[3] Ibid.

[4] Cooper, E., O'Hara, A., Singer, N, and Zovistoski,, A. (2013). *Priced out in 2012*. Boston, MA: Technical Assistance Collaborative, Inc.

[5] National Low Income Housing Coalition. (2013). America's affordable housing shortage and how to end it. *Housing Spotlight 3*(2). Washington, DC: Author.

[6]U.S. Department of Housing and Urban Development. (2013). *Worst case housing needs 2011: Report to Congress*. Washington, DC: Author

[7] Joint Center for Housing Studies of Harvard University. (2013). *The state of the nation's housing 2013.* Cambridge, MA: Author

[8] Bipartisan Housing Commission. (2013). *Housing America's future: New directions for national policy.* Washington, DC: Bipartisan Policy Center.

[9] Weicher, J. (2012). *Housing policy at the crossroads: The why, how, and who of assistance programs*. Washington, DC: The AEI Press.

Homelessness is the most tragic manifestation of this housing shortage. In this very dangerous game of musical chairs, the people who are most likely to end up with no housing at all are those who are the poorest, the most vulnerable, those with the weakest support systems and the fewest coping skills. Although, we have made progress in reducing the number of veterans and people with chronic illnesses who are homeless, there has been an explosion in the number of homeless families with children in this recession. There are over 20,000 homeless children in New York City alone. Surely, we can do better than this.

The people who conceived of and have advocated for the National Housing Trust Fund see its purpose as ending this shortage, closing this gap. We think this is a proper role for government. This is a shortage of a good that is fundamental to human well-being; housing is not an optional expense. It is clear that the market will not fill this gap. The cost of building and operating rental housing simply exceeds what can be paid in rent by extremely low income households.

You may and should ask why we need another low income housing program. What about all the HUD programs? What about the Low Income Housing Tax Credit? The answer is that there would be no need for the National Housing Trust Fund if the existing federal programs were differently structured and sufficiently funded. However, no existing federal housing program produces rental homes specifically targeted for extremely low income households, precisely the program that is most needed.

More critical, the existing programs are grossly underfunded. HUD rent assistance programs only serve 25% of eligible households. While we have had periods of modest growth in HUD programs in the last 30 years, more typically, the programs have been held flat or reduced. All HUD low income housing programs are part of domestic discretionary spending and thus subject to sequestration. Given the incredible constraints on appropriations that show no sign of abating, it is inconceivable that existing HUD programs will ever be enough.

We estimate that it would take $30 billion a year for ten years to close the gap. That is why we need the National Housing Trust Fund.

How the National Housing Trust Fund Will Work

The primary purpose of the National Housing Trust Fund is to produce, preserve, rehabilitate, and operate rental homes that extremely low income households can afford. At least 90% of the funds must be used for rental housing and up to 10% can be used for homeownership activities. At least 75% must be used for extremely low income households and up to 25% can be used for households with incomes between 30% and 50% of the area median (very low income).

The National Housing Trust Fund is modeled after the over 600 housing trust funds created at the state and local level over the past 30 years, all of which help to supplement federal funds for affordable housing. By 2013, 47 states and the District of Columbia had at least one state housing trust fund, for a total of 57 state housing trust funds. Five new trust funds have been established since 2011 in North Dakota, Virginia, Alabama, Colorado, and South Dakota.

Housing trust funds are run by a government agency guided with priorities and programs established in the enabling legislation. Most commonly, trust fund resources are used for new construction, rehabilitation, preservation of affordable housing, as well as land or property acquisition for affordable housing development. Some trust funds also focus on the development of housing for individuals with special needs, including permanent supportive housing. Other activities include providing matching funds for federal programs, predevelopment loans, emergency rental assistance, weatherization, and down-payment assistance. Although income targeting varies, many trust funds target the lowest income households.

Housing trust funds receive revenue from a wide range of sources, including general funds, but the preferred model is dedicated sources of revenue. For example, Nebraska has a documentary stamp tax, New Jersey has a realty transfer tax, and Ohio and Oregon have document recording fees. The most successful housing trust funds as those with robust dedicated revenue sources as they offer a predictable revenue stream.

It is important to note that at their peak in 2011, the combined value of state and local housing trust funds was approximately $1 billion.[10] They have lost ground since then. It is not realistic to think that state and local housing trust funds, even combined with other state and locally funded low income housing assistance, can ever get to the scale needed to solve the housing shortage.

The National Housing Trust Fund is structured as a block grant that is housed at HUD. Funds are to be distributed to the states and territories by a formula that is based on need, primarily need for rental homes affordable for extremely low income families. The funds will go to governors who will designate a state agency to administer the program. In most cases, we expect the National Housing Trust Fund to be run by state housing finance agencies that now administer the Low Income Housing Tax Credit program.

The state has to design an allocation plan and create performance goals. States can choose to use their National Housing Trust Fund dollars to address specific goals, such as ending homelessness or providing community based housing for all people with disabilities. States could use some of their allocation to preserve existing low income housing.

The state can use the funds to develop housing itself or can establish a grant making process to allocate the funds to sub-recipients. The statute requires that a sub-recipient has experience relevant to the activity it proposes and demonstrates financial expertise and experience.

The state is responsible for assuring that all funds are used properly and for assuring that any funds that are not properly used are reimbursed. HUD can reduce future grants to states that are not reimbursed for improperly used funds.

Funds cannot be used for advocacy, lobbying, political activities, travel, counseling, or preparing of tax returns. The state can use up to 10% of its allocation to administer the program,

[10] To learn more about state and local housing trust fund, go to http://housingtrustfundproject.org.

but no funds can be used for outreach or other administrative activities by the state or sub-recipients.

HUD is required to recapture any funds that a state has not committed within two years and reallocate the funds to other states.

HUD has developed the regulations for implementation of the National Housing Trust Fund. They have been published for public comment, comments have been received, and final regulations are expected to be ready soon.

How the National Housing Trust Fund Should Be Treated in Housing Finance Reform

The National Housing Trust Fund has never been funded. It is intended to be funded with dedicated sources of revenue, such that it is not subject to the vicissitudes of the annual appropriations process and does not compete for funding with existing HUD low income housing programs. The initial source of funding provided for in HERA was an assessment on Fannie Mae and Freddie Mac. The statute also says that the National Housing Trust Fund can be funded by "any amounts as are or may be appropriated, transferred, or credited to such Housing Trust Fund under any other provisions of law."

As you well know, Fannie and Freddie were taken into conservatorship soon after HERA was enacted and the conservator suspended their obligation to fund the National Housing Trust Fund. That suspension continues to this day. Our analysis is that now that Fannie and Freddie are again profitable, this suspension should be lifted. Given the dire housing circumstances of so many poor Americans, it would be a godsend if the conservator agreed with us, but unfortunately he does not.

As you develop your legislation on the next generation of federal housing finance policy, please include the following provisions related to the National Housing Trust Fund.

- Preserve the National Housing Trust Fund as enacted in HERA as a stand-alone program housed at HUD that provides grants to states for the core purpose of expanding rental housing that is affordable for extremely low income households. Do not change or add to its purposes or eligible activities unless doing so would strengthen this core purpose. This means the proposed Market Access Fund should be a separate program, not added to the Housing Trust Fund, as is done in S. 1217. We also object to the segregation of the rental housing and home ownership activities in the National Housing Trust Fund as is the case in S. 1217.

- Preserve the principle established in HERA that the U.S. housing finance system, which benefits from its affiliation with the federal government such as the explicit federal guarantee that you contemplate, should make financial contributions to support housing activities that address housing needs that the market will not, specifically those of the poorest households.

- The financial contributions called for above should come from at least a 10 basis point annual user fee, i.e., a "strip," assessed on all mortgage backed securities (MBS), not just guaranteed securities. This includes both single family and multifamily MBS. Further, we support an additional fee on multifamily MBS for properties with rents geared to households with incomes over 150% of the area median.

- Maximize the amount of funding to the National Housing Trust Fund from these financial contributions, recognizing that even a 10 basis point annual user fee on all MBS would not generate sufficient funding to address the shortage of rental housing affordable for extremely low income households. Continue to provide for other funding to go to the National Housing Trust Fund in "any amounts as are or may be appropriated, transferred, or credited…under other provisions of law" as does HERA.

- Maintain the National Housing Trust Fund as a permanent fund on the mandatory side of the budget. We strongly urge that the Banking Committee retain and, if necessary, strengthen its oversight duties and responsibilities for the National Housing Trust Fund. If the funds generated by the user fee called for above are made available for appropriations, there is no way to assure that all (or any) of the funds would be used for the National Housing Trust Fund or even for low income housing.

- Assure payments are made to the National Housing Trust Fund during the transition period from Fannie Mae and Freddie Mac to the successor entity and immediately upon establishment of the new housing finance system.

Thank you for the opportunity to testify today. I look forward to your questions.