Outside witness testimony submitted on behalf of the National Council of State Housing Agencies (NCSHA) by Mindy La Branche, Legislative and Policy Associate

National Council *of* State Housing Agencies

Statement of the National Council of State Housing Agencies to the House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies on FY 2015 HUD Appropriations April 11, 2014

Thank you for the opportunity to provide testimony on behalf of our Housing Finance Agency (HFA) members regarding FY 2015 appropriations for HUD programs. As you consider your FY 2015 HUD appropriations bill, we urge you to restore HOME formula grant funding to $1.6 billion, equal to its FY 2011 funding level, and provide Section 8 funding adequate to renew all expiring project-based contracts for a full year, fully fund all authorized Housing Choice Vouchers (vouchers), provide new incremental vouchers in FY 2015, allocate new flexible rental assistance to state HFAs, and ensure that successful HFA project-based contract and voucher administrators continue in and are adequately compensated for these roles. We also ask you to provide authority for Ginnie Mae to securitize FHA-HFA Multifamily Risk-Sharing program loans.

The National Council of State Housing Agencies' (NCSHA) members are the HFAs of the 50 states, the District of Columbia, New York City, Puerto Rico, and the U.S. Virgin Islands. HFAs administer a wide range of affordable housing and community development programs, including HOME, Section 8, homelessness assistance, down payment assistance, state housing trust funds, tax-exempt Housing Bonds, and the Low Income Housing Tax Credit (Housing Credit). HFAs effectively employ these resources to advance their common public-purpose mission of providing affordable housing to the people of their jurisdictions who need it.

HOME Investment Partnerships Program

HOME program funding is vital to the production and provision of housing affordable to low-income families and has a long record of tremendous success in doing so. Yet, HOME has received devastating cuts in recent years. HOME funding has been cut almost in half since FY 2010. Just since FY 2011, HOME appropriations have been cut by 38 percent—from $1.6 billion to $1 billion in FY 2014, a historically low funding level. We appeal to you to spare the HOME program from further cuts and to fund HOME at $1.6 billion, equal to its FY 2011 funding level. The need for HOME funding vastly exceeds the amount available.

We also request that the Subcommittee resist further reducing the amount of this flexible funding source going directly to states and localities by not including any set-asides within the HOME program account.

In these tight budgetary times, the HOME formula grant is one of the best housing investments Congress can make. HOME's flexibility allows states and localities to determine how to put limited HOME funds to their best use. HFAs use HOME to serve the whole spectrum of housing need, from homeless to ownership to disaster recovery, from urban to rural areas, and all low-income populations, including families with children, the elderly, veterans, and persons with special needs. HOME funding is necessary to help states and localities respond to urgent housing needs.

HOME funds must be used to assist families with low incomes, those earning 80 percent of area median income (AMI) or less. State HFAs reported that more than half of their HOME-funded units in 2012 assisted very low-income families, those earning 50 percent of AMI or less, and approximately one-quarter of the units assisted extremely low-income families, those earning 30 percent of AMI or less.

HOME has an outstanding track record of success. States and localities have used HOME funding to produce more than 1.1 million affordable homes, in addition to making homes affordable for hundreds of thousands of families with direct rental assistance.

Further, every federal HOME dollar generates more than four dollars in additional public and private investment. HOME funds have leveraged more than $110 billion in additional funds for affordable housing. HOME funding is a vital piece in financing numerous affordable housing developments—many of which would not be able to move forward without its assistance. HOME complements and supports many critical federal housing programs, such as the Low Income Housing Tax Credit, making developments financially feasible and achieving deeper income targeting than would otherwise be possible.

NCSHA also supports the state-administered Housing Trust Fund and seeks a dedicated and sustainable funding source for it. However, the Housing Trust Fund is needed as a new resource for developing housing affordable to those with very low- and extremely low-incomes. It is not a replacement for appropriations to HOME and other HUD programs and should not be funded at their expense.

Rental Assistance

We recommend Congress provide adequate funding for project-based Section 8 contracts and vouchers. These two programs serve some of our lowest income, most vulnerable people. We urge the Subcommittee to ensure the Section 8 accounts are funded such that all vouchers already in use are renewed and all contract renewals are funded for a full 12 months in order to maintain owner confidence in the program.

NCSHA recommends that Congress provide the funding necessary for HFAs and other public housing agencies (PHAs) to effectively administer project-based Section 8 assistance as Performance-Based Contract Administrators (PBCAs). We also support HUD's request for authority to use grants or cooperative agreements to support HFAs and PHAs serving as PBCAs.

We also ask that you provide the funding necessary for PHAs to effectively administer the voucher program. PHAs have experienced year-over-year proration of administrative fees, which has negatively impacted PHAs' ability to administer the voucher program. HFA project-based contract and voucher administrators play critical roles in providing rental assistance and we ask that you ensure that they are adequately compensated for them.

Thank you for funding new incremental VASH vouchers in FY 2014. However, additional new unrestricted incremental vouchers are needed so we can help some of the millions of families who qualify for rental assistance but do not receive it. According to HUD's most recent report on *Worst Case Housing Needs*, there was a 43.5 percent increase from 2007 to 2011 in households with worst case housing needs—defined as very low-income renters not receiving government housing assistance who either pay more than half of their monthly income for rent, live in severely inadequate conditions, or both.

We urge you also to provide flexible rental assistance to state HFAs that they can use for either project-based or tenant-based rental assistance. Such funding would allow states to address their production and affordability needs most effectively and to serve more extremely low-income families by combining it with state-administered Housing Credit, Housing Bond, HOME, and other production resources.

States consistently target their Housing Credit, Housing Bond, and HOME resources to households with incomes below the programs' statutory income limits. Yet, it is difficult—and sometimes impossible—to reach these households at a rent level they can afford without rental assistance.

Ginnie Mae Securitization of Multifamily Risk-Sharing Loans

We request that you provide authority for Ginnie Mae to securitize FHA-HFA Multifamily Risk-Sharing loans. Providing this authority will allow HFAs to reduce the cost of financing rental housing developments, making it possible to achieve lower rents and reach even lower income tenants.

Under the FHA-HFA Risk-Sharing program, HFAs meeting rigorous financial standards are able to underwrite FHA multifamily loans in return for sharing the risk of any losses on those loans. This program has been very successful, with 26 HFAs financing nearly 1,000 loans, totaling nearly $6 billion in principal and supporting more than 110,000 affordable rental homes.

If Ginnie Mae were to securitize FHA-HFA Risk-Sharing loans, HFAs predict the interest rate on the underlying mortgages could be reduced by as much as 200 basis points, or 2 percent. This rate reduction would lower rents and potentially reduce the need for and cost of other federal housing subsidies. This authority would not increase government spending. In fact, it would generate revenue for the federal government according to the Congressional Budget Office (CBO), which estimates that allowing Ginnie Mae to securitize FHA-HFA Risk-Sharing loans would result in $20 million in mandatory savings over 10 years, or $2 million annually.

We recognize the continued constrained fiscal environment in which you must craft your FY 2015 appropriations legislation. We urge you to consider the proven effectiveness of HOME and Section 8 rental assistance and the great unmet need for them, which has been further exacerbated in these difficult economic times, as you make your funding decisions. NCSHA appreciates this opportunity to offer a statement on behalf of these programs and we are ready to assist you in any way we can as you move forward with the FY 2015 appropriations process.