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Housing Issues in the 110th Congress

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Housing Issues in the 110th Congress

Summary

Two overarching issues can be expected to frame the housing debate in the 110th Congress. The first is the current budget environment, within which Congress and the Administration have attempted to reduce discretionary spending in recent years. The President's budget request for FY2008 proposes to hold the growth in non-defense discretionary spending to 1%, less than the rate of inflation. However, the new Congress, controlled by Democrats, might not be as likely as previous Congresses to use the President's budget as a starting point in crafting its own budget. The second overarching issue is housing affordability for both homeowners and renters. The new Democratic majority has expressed an intention to address issues of affordable housing in the 110th Congress.

The 110th Congress can be expected to both carry forward housing legislation considered in the 109th Congress and to introduce new initiatives. On February 6, 2007, the House Financial Services Committee held a hearing to discuss federal housing efforts in response to Hurricane Katrina. On March 7, the committee approved the Gulf Coast Hurricane Housing Recovery Act of 2007 (H.R. 1227).

Another agenda item the 110th Congress could address is the government-sponsored enterprises — Fannie Mae and Freddie Mac — and Federal Home Loan Banks (GSEs and FHLBs). On March 9, 2007, the Chairman of the House Financial Services Committee introduced H.R. 1427, the Federal Housing Finance Reform Act of 2007. It would create a new regulator for the GSEs, and, similar to legislation considered in the 109th Congress, it would use profits from the GSEs to create an affordable housing fund. Another issue that was considered in the 109th Congress and can be expected to arise in the 110th Congress is potential revisions to the Federal Housing Administration (FHA) loan insurance program.

Based on statements of Members and issues raised in the 109th Congress, a number of programs within the area of assisted housing will likely receive attention in the 110th Congress. Congress could consider Section 8 voucher changes, as well as the implementation of the new public housing operating fund rule, both of which arose in the 109th Congress. Another potential issue could be the preservation of existing affordable housing, which involves efforts to ensure that assisted properties funded through HUD and the Low Income Housing Tax Credit (LIHTC) program remain available to low-income households after their initial commitments end. The 109th Congress considered legislation to reauthorize the Mark-to-Market program (a preservation tool); two bills (S. 131 and H.R. 647) have been introduced in the 110th Congress that would reauthorize the program.

Additional issues that the 110th Congress may consider include the ability of assisted housing developers to combine the LIHTC program with HUD programs to create affordable housing, new initiatives to help the homeless, and efforts to curb certain subprime lending practices, sometimes characterized as predatory lending.

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- ALD — American Law
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Housing Issues in the 110th Congress

Introduction

The 110th Congress, like its recent predecessors, will likely contend with two overarching issues regarding housing: a budget environment in which discretionary spending will likely be limited and concerns about affordable housing. Within the framework of these overarching issues, proposals likely to be addressed in the 110th Congress include housing in the Gulf Coast region in the wake of the 2005 hurricanes, the creation of a stronger regulator for Fannie Mae and Freddie Mac, the creation of an affordable housing fund, revisions to the Federal Housing Administration (FHA) loan insurance program, Section 8 voucher reform, oversight of the public housing operating fund, preservation of existing assisted housing, and new Low Income Housing Tax Credit (LIHTC) initiatives. (See the end of this report for a listing of CRS reports related to housing.)

Overarching Issues

Budget Environment

Both the Administration and Members of Congress have shown increasing concern about the size of the federal budget deficit and have sought ways to reduce it. In his FY2008 budget, the President has proposed to hold the growth in non-defense discretionary spending to 1% in the coming year, and to keep discretionary spending below the rate of inflation for the next five years.[1] The majority of the budget for the Department of Housing and Urban Development (HUD), the agency primarily responsible for housing, is discretionary funding, and the President has requested large cuts for several programs in FY2008, including Housing for the Elderly and Disabled and the Community Development Block Grant. However, the new Congress, controlled by Democrats, unlike previous Congresses, might be less willing to use the President's budget as a starting point in crafting its own budget.[2]

Efforts to contain discretionary spending have also increased internal pressures in the HUD budget. The cost of the Section 8 voucher program is partially pegged to housing costs, which have risen faster than inflation in recent years. As a result, the voucher program generally requires increased funding to serve the same number

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[1] *Overview of the President's 2008 Budget*, p. 5, available at [http://www.whitehouse.gov/omb/budget/fy2008/pdf/budget/overview.pdf].

[2] See, for example, Statement of Representative John Spratt, Chairman of the House Budget Committee, February 5, 2007, available at [http://budget.house.gov/news/08_budget_statement.htm].

of people. Since HUD's overall budget has been constrained, any increases in funding for the voucher program have come at the expense of other programs. Another internal HUD budget pressure involves the contribution of the FHA insurance program. FHA collects fees from participants, and excess fees are used by Congress to offset the cost of the HUD budget. FHA's market share has been dropping in recent years, and as a result, the amount of excess fees has been declining. With fewer fees to offset the cost of the HUD budget, the President and Congress have had to find additional dollars to keep the overall budget at the same level.

Housing Affordability

Even as Congress faces pressure to reduce discretionary spending, the Chairman of the House Financial Services Committee, the committee responsible for housing, has expressed an intention to take up affordable housing legislation in the 110th Congress.[3] The U.S. Housing Act of 1949 (P.L. 81-171) established a national goal of "a decent home and a suitable living environment for every American family." In the time since the enactment of P.L. 81-171, progress toward this goal is incomplete. The bi-partisan, congressionally-mandated Millennial Housing Commission's 2002 final report identified "affordability"[4] as "the single greatest housing challenge facing the nation." The Harvard Joint Center for Housing Studies found that between 2001 and 2004, the number of households paying more than 30% of their income toward housing increased from 31.3 million to 35.0 million (an increase from 29.4% of all households to 31.8%).[5] Affordability is a concern for both owners and renters, although different factors affect the two groups.

Factors Affecting Homeownership. The state of the housing market has affected both affordability and rates of homeownership. Starting in 2000, the housing market boomed, leading to speculation that there was a housing "bubble."[6] Lower interest rates and improved financing options increased demand for home purchases and contributed to rising prices. Median house prices rose from under $150,000 to over $180,000 between the summer of 2000 and the summer of 2003. House prices began rising so rapidly in some regions of the country that affordability declined significantly despite lower financing costs. Overall, though, due to falling mortgage interest rates from 8% to under 6% during the same period,[7] housing affordability improved slightly according to the Housing Affordability Index (HAI),

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[3] Remarks of Representative Barney Frank at the Office of Thrift Supervision Housing Forum, National Press Club, December 11, 2006, pp. 65-72, transcript available at [http://www.ots.treas.gov/docs/4/48982.pdf].

[4] Housing is generally considered affordable if it costs no more than 30% of a family's income.

[5] Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing, 2006*, pp. 25, 39, available at [http://www.jchs.harvard.edu/publications/markets/son2006/son2006.pdf].

[6] For a discussion of the question of a housing bubble, see CRS Report RL31918, *U.S. Housing Prices: Is There a Bubble?*, by Marc Labonte.

[7] Source: Federal Reserve release for conventional 30-year mortgage.

a measure of the ability of a family with median earnings to qualify to purchase a median-priced house under current market conditions.[8]

Beginning in 2006, however, the housing market turned. Although still low by historical standards, mortgage rates rose back above 6%. Growth in housing prices slowed across the country and declined outright in some formerly booming areas. The slowing market resulted in improved affordability as measured by the HAI during the second half of the year as median prices began falling and mortgage rates dipped back closer to 6%.

Perhaps due to the earlier housing boom, homeownership rates reached record highs by 2004 and 2005. In 2005, the rate for all homeowners was just below its previous high in 2004, slipping from 69.0% to 68.9%.[9] Homeownership rates among minorities, which have consistently lagged behind rates for whites, increased from 43.7% to 53.1% between 1995 and 2005. During the same period, the percentage of white homeowners increased from 70.9% to 75.8%. Despite this positive news, fears about the health of the housing market and the sustainability of recent homeownership gains are growing.

Delinquency rates and foreclosure rates are increasing nationwide despite improved affordability (as measured by the HAI).[10] One possible reason for these rates to rise even in areas with relatively low unemployment and improving affordability is alternative mortgage products and subprime loans. Alternative mortgage products include features such as adjustable rates (in which interest rates are reset at various times), extremely low down payments, negative amortization, and/or optional monthly payments. While subprime loans might have the same features as alternative mortgage products, they are typically made to borrowers with poor or no credit history and at higher interest rates. The growth of the subprime market has allowed borrowers with impaired credit or no credit history more opportunities to apply for loans. Similarly, the increased use of alternative mortgage products has expanded opportunities for homeownership and allowed home buyers to purchase larger houses than they might otherwise have been able to afford.[11]

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[8] Source: National Association of Realtors Housing Affordability Index (HAI). Note, although the HAI incorporates current median home prices, current interest rates, and current household income, it does not incorporate inflation so it is used as a measure of the current ability of buyers to qualify for a home purchase, not as a measure of the full long term cost of financing the home.

[9] *State of the Nation's Housing 2006*, p. 35, Table A-5.

[10] Source RealtyTrac, as reported in Les Christie, "Foreclosure Rates up Big in December," *CNN Money*, January 17, 2007.

[11] Naomi Cytron and Laura Lanzerotti, "Homeownership at High Cost: Recent Trends in the Mortgage Lending Industry," *Federal Reserve Bank of San Francisco, Community Investments Newsletter* 18, no. 2, December 2006, p. 5, available at [http://www.frbsf.org/publications/community/investments/0612/cytron_homeownership.pdf].

Increased delinquency and foreclosure rates could be due to rising interest rates as the reset periods of these mortgage products take effect.[12]

Factors Affecting Rent Burdens. In 2004, 8.4 million renter households were severely cost burdened (paying more than 50% of their income toward housing), an increase of over one million from 2001 (and an increase from 13.0% of all households to 14.3%).[13] While moderate-income renters were not immune from severe rent burdens, low-income renters faced the greatest burdens; over 86% of severely cost burdened renters were in the bottom quintile of the income distribution. When low-income families pay such a large portion of their incomes for housing, they have little left to meet their other needs, let alone establish savings or build assets. The problem of severe rent burdens appears to be growing as the supply of low-cost rental units continues to dwindle. The Joint Center for Housing Studies' report attributes the growing affordability problem to two principal factors: land use regulations that drive up the price of housing and the growth of low wage jobs.[14] The report notes that solving the problem will be difficult and will require the cooperation of government, business, and non-profits. However, the federal government's role in addressing what HUD has termed "worst-case housing needs" — those earning less than half the area median income and paying more than half their income for housing — is increasingly in question as deficits grow and pressure to restrain domestic spending mounts.

Housing After the 2005 Hurricanes

Hurricanes Katrina, Rita, and Wilma, which struck Gulf Coast states in the fall of 2005, had an enormous effect on the housing stock in that region. Studies estimate that the hurricanes and their related flooding damaged 1.2 million housing units in Louisiana, Mississippi, Florida, Texas, and Alabama.

- Of the 1.2 million damaged housing units, over 305,000 were severely damaged.[15] Severe damage includes real or personal property loss above certain dollar thresholds.[16]
- Louisiana, specifically New Orleans, had the highest percentage of severely damaged units; approximately 67%, or 204,737 renter- and

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[12] See CRS Report RL33775, *Alternative Mortgages: Risks to Consumers and Lenders in the Current Housing Cycle*, by Edward Vincent Murphy.

[13] *State of the Nation's Housing 2006*, p. 36, Table A-6.

[14] Ibid., p. 25.

[15] CRS analysis of data found in U.S. Department of Housing and Urban Development, Office of Policy Development and Research, *Current Housing Unit Damage Estimates: Hurricanes Katrina, Rita, and Wilma*, February 12, 2006, available at [http://www.huduser.org/Publications/pdf/GulfCoast_HsngDmgEst.pdf].

[16] For a detailed breakdown of damage that qualifies as severe, see ibid., pp. 4-5.

owner-occupied homes with severe damage were located in Louisiana.[17]
- Of the 305,000 severely damaged units in all five affected states, most were owner occupied — about 63% or 193,000 homes.[18]
- More than half of the 193,000 severely damaged, owner-occupied units lacked flood insurance (55%) and about a quarter of them lacked any insurance (23%).[19]
- Approximately 112,000 rental units in the five affected states were severely damaged.[20]
- Of the 112,000 severely damaged rental units, 13%, or approximately 14,500 units, were HUD subsidized.

On February 6, 2007, the House Financial Services Committee held a hearing to discuss federal housing efforts in response to the 2005 hurricanes. Much of the discussion at that hearing focused on the slow pace of rebuilding, as well as the future of the damaged federally-assisted housing stock. On March 7, 2007, the Committee approved the Gulf Coast Hurricane Housing Recovery Act of 2007 (H.R. 1227). (For more information, see the "Legislation" section below.)

Rebuilding

Although private insurance will pay some of the cost of rebuilding housing in the affected states, federal funds are part of the effort as well. Thus far, the federal response includes $15.3 billion paid out under the National Flood Insurance Program; $10.4 billion in Small Business Administration (SBA) disaster loans; $6 billion from the Federal Emergency Management Agency (FEMA) in the Individuals and Households Assistance Program; $4.8 billion in reimbursements to Alabama, Louisiana, and Mississippi for activities such as debris removal; and nearly $975 million approved in Community Disaster Loans. FEMA has also approved housing and rental assistance including travel trailers, mobile homes, and personal housing repairs for 1.6 million households.[21] Additional funds include more than $16 billion in Community Development Block Grant (CDBG) funds to the five affected states (Louisiana, Mississippi, Florida, Texas, and Alabama) to help with rebuilding efforts.[22] (For more information, see CRS Report RL33761, *Rebuilding Housing After Hurricane Katrina: Lessons Learned and Unresolved Issues*, by N. Eric Weiss.)

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[17] Ibid.

[18] Ibid.

[19] Ibid.

[20] Testimony of HUD Deputy Secretary Roy A. Bernardi before the House Committee on Financial Services Hearing "Federal Housing Response to Hurricane Katrina" February 6, 2007, (hereafter "Katrina Hearing"), available at [http://www.house.gov/apps/list/hearing/financialsvcs_dem/htbernardi020607.pdf].

[21] Federal Emergency Management Agency, By the Numbers — One Year Later: FEMA Recovery Update for Hurricane Katrina, Aug. 22, 2006, available at [http://www.fema.gov/news/newsrelease.fema?id=29109]. All numbers are as of Aug. 18, 2006.

[22] See P.L. 109-148 and P.L. 109-234.

Many Members of Congress have expressed displeasure at the perceived slow pace of rebuilding after Katrina.[23] While there are indications that the pace of rebuilding is quickening,[24] many areas have not been rebuilt and many families are still displaced. According to FEMA, 90,000 families still lived in temporary housing and 35,000 families are still receiving rental assistance 17 months after the storm.[25] Factors behind the delay include the length of time it took to develop and approve rebuilding plans, the pace of infrastructure repairs in the neighborhoods and surrounding communities, the decisions on the future of damaged public housing units, and the size and timing of private insurance settlements to homeowners seeking to return to those neighborhoods.

Another rebuilding issue involves the rehabilitation and/or rebuilding of federally-assisted housing in areas damaged by the 2005 hurricanes. At the February 6, 2007 hearing before the House Financial Services Committee, HUD Deputy Secretary Roy Bernardi testified that of the 5,100 occupied public housing units damaged in New Orleans during Hurricane Katrina, nearly 2,000 were habitable and approximately 1,200 are occupied or would be shortly.[26] However, members of the Financial Services Committee questioned HUD's plans to demolish the approximately 4,100 units in the four largest public housing developments and replace them with mixed income housing. HUD's demolition plans have been met with opposition from tenant organizations and low-income housing advocates and several lawsuits have been filed.[27] Provisions included in H.R. 1227 (discussed below) are designed to limit HUD's ability to demolish public housing.

Oversight

As noted earlier, Congress has appropriated tens of billions of dollars toward hurricane recovery and relief. Given its large investment, Congress has conducted several oversight hearings and requested many oversight reports on how effectively and efficiently the recovery and rebuilding money is being spent.

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[23] See Opening Remarks of Honorable Maxine Waters, Katrina Hearing, available at [http://www.house.gov/apps/list/hearing/financialsvcs_dem/oswaters020607.pdf]; and David Hammer, "Senate Democrats vow to fix disaster recovery," *New Orleans Times Picayune*, January 29, 2007, available at [http://www.nola.com/newslogs/tpupdates/index.ssf?/mtlogs/nola_tpupdates/archives/2007_01_29.html#231017].

[24] Brookings Institution, Katrina Index: Tracking Recovery of New Orleans and the Metro Area, in collaboration with the Greater New Orleans Community Data Center, January 2007, [http://www.gnocdc.org/KI/KatrinaIndex.pdf].

[25] Statement of David Garratt, Acting Director of Recovery, Federal Emergency Management Agency, Department of Homeland Security, Katrina Hearing, available at [http://www.house.gov/apps/list/hearing/financialsvcs_dem/htgarratt020607.pdf].

[26] Deputy Secretary Bernardi's testimony is available at [http://www.house.gov/apps/list/hearing/financialsvcs_dem/htbernardi020607.pdf].

[27] See Julia Cass and Peter Whoriskey, "New Orleans to Raze Public Housing: Many Units Closed Since Katrina to Be Demolished, Despite Protests," *The Washington Post*, December 8, 2006.

Much of the assistance provided to displaced families immediately after Hurricane Katrina was in the form of individual and household direct assistance from FEMA. The Government Accountability Office (GAO) has found that system to be fraught with waste, fraud, and abuse.[28] In response to these and other concerns, Congress has enacted several pieces of legislation aimed at improving the flexibility and accountability of FEMA, and may consider others in the 110th Congress.[29]

In addition to concerns about waste, fraud, and abuse, Congress has expressed concern about the slow pace of spending in the funding it has provided for helping families rebuild their homes. Congress twice appropriated CDBG funds to Gulf Coast states affected by the 2005 hurricanes to help rebuild homes and infrastructure. The first amount disbursed was $11.5 billion and the second amount was nearly $5.2 billion. Each state that received funds — Louisiana, Mississippi, Florida, Texas, and Alabama — was required to develop and have approved by HUD a plan for how it would use the funds. HUD approved the state plans in the late spring and early summer of 2006, so funds have begun to be released to households and to local communities.[30] At the House Financial Services Committee Hearing on February 6, 2007, HUD Deputy Secretary Roy Bernardi testified that approximately $1.2 billion in CDBG funds had been expended. Committee members expressed concern at the slow disbursement rate, particularly regarding the Louisiana "Road Home" program, in which only 400 claimants had received funds.

Ongoing Housing Assistance

Both HUD and FEMA are currently providing ongoing rental assistance to tenants displaced by the 2005 hurricanes. HUD provides rental assistance through vouchers in its Disaster Voucher Program (DVP) to households that lived in HUD-assisted housing or were homeless prior to Hurricanes Katrina and Rita. The voucher is similar to a Section 8 voucher, and may be used to help pay for rent anywhere in the country as long as a landlord is willing to accept it. One year after Hurricane Katrina, HUD estimated that 25,000 households have been assisted through DVP;[31] at the February 6 hearing before the House Financial Services Committee, Assistant Secretary Bernardi testified that about 12,000 families were still participating in the program. DVP is scheduled to end September 30, 2007; provisions included in H.R. 1227 would extend the length of time families could receive DVP assistance. At that time, families are expected to transition back onto the programs from which they

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[28] U.S. Government Accountability Office, *Unprecedented Challenges Exposed the Individuals and Households Program to Fraud and Abuse; Actions Needed to Reduce Such Problems in Future*, GAO Report GAO-06-1013, September 2006.

[29] For more information, see CRS Report RL33729, *Federal Emergency Management Policy Changes After Hurricane Katrina: A Summary of Statutory Provisions*, coordinated by Keith Bea.

[30] Office of the Federal Coordinator for Gulf Coast Rebuilding, *Continuing Progress: A 1-Year Update on Hurricane Recovery and Rebuilding*, August 2006, available at [https://www.dhs.gov/xlibrary/assets/GulfCoast_Katrina1yearFactSheet.pdf].

[31] Ibid.

were initially displaced. There are remaining questions regarding what will happen to families who were homeless before the storm and those whose homes are still under construction. For more information about DVP see CRS Report RL33173, *Hurricane Katrina: Questions Regarding the Section 8 Voucher Program*, by Maggie McCarty.

While HUD provides assistance for tenants previously receiving HUD subsidies, FEMA provides rental assistance for any other tenant or homeowner in need of housing assistance. Just after Hurricanes Katrina and Rita, FEMA began providing short-term rental assistance to disaster victims; after six months, in February of 2006, it began to convert the short-term assistance to longer-term rental assistance (up to 18 months). Although this assistance was to end on February 28, 2007, President Bush recently extended the assistance for an additional six months. For more information on the status of FEMA rental assistance see CRS Report RS22560, *Disaster Housing Assistance: A Legal Analysis of ACORN v. FEMA*, by Kamilah M. Holder.

Legislation

On March 7, 2007, the House Financial Services Committee approved the Gulf Coast Hurricane Housing Recovery Act of 2007 (H.R. 1227). The bill contains a wide range of provisions, including making of modifications to, and increasing reporting on, assistance provided in earlier supplemental appropriations acts and clarifying the treatment of certain federally assisted properties. Key provisions are summarized below.

CDBG-related provisions:

- Would transfer certain FEMA Hazard Mitigation funds to Louisiana's CDBG program;
- Would authorize and fund a pilot program in Louisiana to acquire certain individual properties for the purpose of aggregating them and making them available for development;
- Would require quarterly reports from GAO on CDBG spending; and
- Would make other changes to the treatment of CDBG funds for purposes of (1) individual eligibility for other disaster-related assistance and (2) meeting match requirements in other programs.

Public and Assisted Housing related provisions:

- Would require HUD to conduct a survey of displaced New Orleans public housing residents to determine their interest in returning;
- Would require the Housing Authority of New Orleans (HANO) to make available for occupancy by August 1, 2007, the greater of 3,000 public housing units or a number of units sufficient to house families wishing to return;
- Would prohibit HANO from demolishing or disposing of public housing without a plan to replace each unit with a public housing (or other comparable) unit;

- Would guarantee a right of return to all New Orleans public housing residents wishing to return;
- Would place restrictions on the demolition and disposition of other public housing units in the disaster areas and require PHAs to offer a right of return for displaced families;
- Would authorize such sums as necessary to rehabilitate, repair, and/or redevelop public housing in New Orleans, including the cost of providing supportive services to tenants;
- Would extend the Disaster Voucher Program through January 1, 2008, and permit families to transfer their DVP vouchers to the regular voucher program upon expiration of the DVP program;
- Would clarify the allocation of FY2007 Section 8 voucher renewal funding for disaster-affected areas;
- Would direct the Secretary to approve feasible proposals to preserve project-based rental assistance connected to damaged privately owned multifamily rental properties;
- Would authorize such sums as necessary to supply replacement vouchers for public housing or private multifamily project-based rental assistance units that will not be rebuilt; and
- Would authorize such sums as necessary to create 4,500 new project-based vouchers for use in supportive housing for the homeless, seniors and persons with disabilities, 3,000 of which would be available for the state of Louisiana, upon request.

Other provisions:

- Would authorize a transfer of funds from FEMA to HUD to be used to reimburse landlords for damages incurred as a result of their participation in FEMA's city lease program;
- Would give the Secretary of HUD the authority to either take title of or make insurance payments on behalf of certain FHA-insured single-family properties that did not have hazard or flood insurance;
- Would require GAO to study the distribution of federal funds to Gulf Coast states; and
- Would commend Americans for the rebuilding efforts.

Several of these provisions proved controversial during committee markup. Amendments were considered, but rejected, that would have struck the authorization of additional vouchers and would have limited the amount of funds authorized for rebuilding public housing. The bill is expected to be considered by the full House before the end of March.

Housing Finance

GSE Regulation

Fannie Mae, Freddie Mac, and Federal Home Loan Bank Regulation. Fannie Mae and Freddie Mac are federally chartered, privately owned corporations charged with supporting the secondary mortgage market. They are not allowed to lend directly to homeowners, but by purchasing mortgages from the original lenders, they free up funds to be lent for more mortgages. After Fannie Mae and Freddie Mac purchase mortgages, they either package and sell them to investors, or keep them in their own portfolios. To finance their portfolios, they sell bonds and other debt to investors.

This buying and selling of existing mortgages has created a secondary mortgage market that has improved the efficiency of mortgage lending and lowered the interest rate that homeowners pay. Many economists and other analysts believe that because of their ties to the federal government, Fannie Mae and Freddie Mac (also known as government-sponsored enterprises, or GSEs) can borrow at lower interest rates than they could otherwise and that some of this advantage accrues to stockholders and employees.

Regulation of Fannie Mae and Freddie Mac is split between two parts of HUD. The independent Office of Federal Housing Enterprise Oversight (OFHEO) is the safety and soundness regulator, while HUD's Financial Institutions Regulation Division establishes and monitors affordable housing lending goals. OFHEO has been the primary regulator during recent accounting problems, although the Securities and Exchange Commission (SEC) has also been involved. For more information about accounting problems at Fannie Mae and Freddie Mac, see CRS Report RS21949, *Accounting Problems at Fannie Mae*, and CRS Report RS21567, *Accounting and Management Problems at Freddie Mac*, both by Mark Jickling, for more details.

Both Fannie Mae and Freddie Mac have statutory exemptions from filing financial documents with the SEC, but both have voluntarily agreed to make these filings. Freddie Mac announced on July 12, 2002 that it would begin filing with the SEC, but its accounting problems have prevented it from doing so. Fannie Mae filed its 2004 annual report (form 10-K) with the SEC on December 6, 2006, which was approximately 21 months late. Neither GSE is yet filing current financial statements.

On May 23, 2006, Fannie Mae signed a consent order with OFHEO agreeing to limit its portfolio of mortgages and mortgage-backed securities to $727 billion, the December 13, 2005, level. Freddie Mac agreed on July 1, 2006 to limit retained portfolio growth to 0.5% quarterly until the company can file financial reports on a timely basis. OFHEO has said that these limitations are likely to remain in place for several years.

The Federal Home Loan Bank System is comprised of 12 regional banks (the Banks) that collectively comprise the third housing GSE. Started in 1932 as lenders to the savings and loan associations that were the primary lenders for home

mortgages, the Banks have undergone major changes, particularly since the cleanup of the savings and loan association failures of the 1980s. As a result, membership in the Banks has changed, today encompassing more commercial banks than savings associations and including credit unions, insurance companies, and some associated housing providers. Purposes of lending — while still primarily housing-related — now include agricultural and small business lending. The changes also have resulted in special mission set-asides for low- and moderate-income housing, special programs for community development, and a continuing responsibility for paying debt raised to fund deposit insurance payouts in the 1980s. For both mission and safety and soundness, the five-member Federal Housing Finance Board (FHFB) regulates the System. For information on the FHLBs, see CRS Report RL32815, *Federal Home Loan Bank System: Policy Issues*, by Barbara Miles and Edward Vincent Murphy.

The 109th Congress considered two bills to strengthen the oversight of Fannie Mae, Freddie Mac, and the Banks under a single regulator, neither of which was enacted. House Financial Services Committee Chairman Barney Frank and Senate Banking, Housing and Urban Affairs Committee Chairman Christopher J. Dodd have announced that GSE reform legislation will be a top committee priority in the 110th Congress. For information on provisions of GSE reform bills in the 109th Congress, see CRS Report RS22336, *GSE Reform: A New Affordable Housing Fund*, by Eric Weiss, and CRS Report RS22307, *Limiting Fannie Mae's and Freddie Mac's Portfolio Size*, by N. Eric Weiss.

On March 9, 2007, Chairman Frank introduced H.R. 1427, the Federal Housing Finance Reform Act of 2007. It would change the regulation of the GSEs, consolidate oversight, and create the Federal Housing Finance Agency (FHFA) as an independent regulator with authority similar to that of bank regulators. Hearings on the legislation were held on March 12, 2007 and March 15, 2007.

Affordable Housing Fund. H.R. 1427 would create an affordable housing fund, which would be funded by contributions by Fannie Mae and Freddie Mac based on their total mortgage portfolios (essentially, mortgages retained in portfolio plus those guaranteed and sold regardless of the form such as mortgage backed securities). Legislation proposed in the 109th Congress (H.R. 1461) would have required Fannie Mae and Freddie Mac to contribute a percentage of their profits to a fund.

The primary purpose of the fund in H.R. 1427 and H.R. 4161 would be to increase housing opportunities for extremely low- and very low-income homeowners and renters. Both would end the requirement for Fannie Mae and Freddie Mac to contribute money to the fund after five years. In the first year, the fund would go to Louisiana (75%) and Mississippi (25%). In years two through five, H.R. 1427 would distribute the funds to the states and recognized Indian tribes using a formula to be developed by HUD. The states would develop plans to further distribute the funds to for-profit, not-for-profit, and faith-based organizations.

H.R. 1427 would give the Federal Housing Finance Agency explicit authority to adjust the enterprises' risk-based capital and, in specific circumstances, to limit the size of their portfolios for limited periods of time.

FHA Reform

The Federal Housing Administration (FHA) oversees a variety of mortgage insurance programs that insure lenders against loss from loan defaults by borrowers. Through FHA insurance, lenders make loans that otherwise may not be available, and enable borrowers to obtain loans for home purchase and home improvement, as well as for the purchase, repair, or construction of apartments, hospitals, and nursing homes. The programs are administered through two program accounts — the Mutual Mortgage Insurance/Cooperative Management Housing Insurance fund account (MMI/CMHI) and the General Insurance/Special Risk Insurance fund account (GI/SRI). The MMI/CMHI fund provides insurance for home mortgages. The GI/SRI fund provides insurance for more risky home mortgages, for multifamily rental housing, and for an assortment of special-purpose loans such as hospitals and nursing homes.

In recent years the mortgages insured through the FHA program are judged to have become increasingly risky.[32] Default rates and the amounts of insurance claims have grown even as participation in the program has declined, raising the need to both increase participation in the program and improve its financial stability by ensuring that participants are credit-worthy.[33] The 109th Congress considered legislation that would have raised FHA mortgage limits (H.R. 5121) in order to allow more buyers to qualify for FHA loans. Currently FHA has mortgage limits that prevent loans from being insured if they are above a certain dollar threshold, which is determined on an area-by-area basis. H.R. 5121 also would have provided that mortgage insurance premiums be set according to borrower risk. Language from H.R. 5121 was included in the House version of the FY2007 HUD funding bill (H.R. 5576), however neither bill was enacted. Proposals can be anticipated in the 110th Congress that would raise FHA loan limits.[34]

In the 110th Congress, legislation to make small modifications to the FHA program has been introduced. One of these bills (H.R. 127) would increase the loan limits allowed on certain multifamily properties from 140% to 170% of the limitations stated in the statute and from 170% to 215% in high cost areas. Another bill (H.R. 172) would create a home purchase program for teachers and public safety officers and increase the FHA loan limit for participants in the program.

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[32] Senate Appropriations Committee, report to accompany H.R. 5576, the Transportation, Treasury, Housing and Urban Development Appropriations Act 2007, 109th Cong., 2nd sess., S.Rept. 109-293, July 26, 2006.

[33] Ibid.

[34] Remarks of Representative Barney Frank at the Office of Thrift Supervision Housing Forum, National Press Club, December 11, 2006, p. 70, transcript available at [http://www.ots.treas.gov/docs/4/48982.pdf].

Predatory Lending

Since the early 1990s, lenders have developed better methods for estimating the risks of certain mortgage loans, with the result that lenders now make home loans to persons who earlier would not have qualified based on their income, savings, and credit profiles. These loans are often referred to as subprime loans. Typically subprime loans have higher interest rates and fees associated with them due to the higher risk presented by the borrower. However, some subprime loans are made through abusive lending practices that result in unfair loan terms. These are sometimes called "predatory loans." Lenders who make predatory loans may misinform borrowers about the loan terms, intimidate borrowers, or take advantage of the borrowers' lack of knowledge or understanding of financial matters.[35] The lenders may also target specific populations like those with low incomes, the elderly, and minorities.[36] Borrowers who have predatory loans may find themselves at greater risk of foreclosure or bankruptcy because they are unable to afford their mortgage payments.[37]

The Home Owner Equity Protection Act (HOEPA), P.L. 103-325,[38] provides federal prohibitions on certain predatory lending practices. Twenty-five states and several municipalities have enacted similar statutes that sometimes offer much broader protections than those afforded under HOEPA. (See CRS Report RL32784, *Predatory Lending: A Comparison of State Laws to the Federal Home Ownership and Equity Protection Act*, by Kamilah M. Holder and Kate M. Manuel.) Varying requirements among state and local statutes that seek to limit predatory lending have led many in the lending community to call for a uniform federal statute. The challenge, from a public policy standpoint, is how to limit predatory lending without at the same time restricting the ability of lenders to make loans that are legitimately priced according to borrower risk.[39]

Several bills to address predatory lending issues were introduced in the 109th Congress, but no action was taken on any of the bills. That could change during the 110th Congress. No bills have been introduced to date but, on February 7, 2007, the

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[35] National Predatory Lending Task Force, *Curbing Predatory Home Mortgage Lending: A Joint Report*, U.S. Department of Housing and Urban Development and U.S. Department of Treasury, June 2000, p. 17, available at [http://www.huduser.org/Publications/pdf/treasrpt.pdf].

[36] Ibid., p. 69.

[37] Ibid., p. 17.

[38] Subtitle B of Title I of the Riegle Community Development and Regulatory Improvement Act, P.L. 103-325; 15 U.S.C. § 1601 et seq.

[39] Some groups argue that state and local predatory lending laws result in a reduction of the availability of credit to those who need the loans. A recent report by the Center for Responsible Lending suggests that state and local laws work to reduce predatory lending, and that such laws increase the availability of credit to those in need of it. Wei Li and Keith S. Ernst, *The Best Value in the Subprime Market: State Predatory Lending Reforms*, The Center for Responsible Lending, February 23, 2006, available at [http://www.responsiblelending.org/pdfs/rr010-State_Effects-0206.pdf].

Senate Committee on Banking, Housing and Urban Affairs held a hearing entitled "Preserving the American Dream: Predatory Lending Practices and Home Foreclosures." A recent newspaper article suggested that a top priority for Representative Barney Frank, the new chairman of the House Financial Services Committee, will be enactment of a nationwide lending-standards law designed to protect consumers from predatory mortgage practices.[40]

Housing Assistance

Federally Assisted Housing Funding and Reform

Section 8 Voucher Reform. The Section 8 voucher program provides portable housing subsidies to low-income families to enable them to find rental housing in the private market. Since 2003, HUD has advocated the abolishment of the existing Section 8 housing choice voucher program and its replacement with a new program. Part of the Administration's rationale for advocating major program changes was a desire to curb cost growth in the program. However, the effects of earlier program reforms, market changes, and recent funding allocation changes have all worked together to limit growth in the cost of a voucher within the structure of the current program.[41] The other rationale for program reform has to do with reducing administrative complexity in the program and providing the public housing authorities (PHAs) with more flexibility. It is generally agreed, by the Administration, low income housing advocates, and PHA industry groups, that the voucher program is too complex and administratively burdensome. However, the Administration, low-income housing advocates, and PHA industry groups do not necessarily agree about the best way to reduce that complexity without compromising the level of assistance provided to low-income tenants.

In the 109th Congress, two major voucher reform bills were introduced. The State and Local Housing Flexibility Act of 2005 (S. 771/H.R. 1999), which had support from the Administration, would have abolished the existing voucher program and replaced it with a new Flexible Voucher Program (FVP). Under FVP, PHAs would have had broad discretion in determining program eligibility, calculating income, and setting rents, among other areas. The bill would have extended the income and rent-setting flexibility to the public housing program. The Section 8 Voucher Reform Act of 2006 (H.R. 5443) was a bi-partisan bill that would have maintained the existing Section 8 voucher program, but would have changed the way income was calculated for the purposes of eligibility and rent-setting (for the voucher program, as well as public housing and project-based Section 8) and adopted a new method for allocating voucher funds, among other changes. H.R. 5443 was approved by the House Financial Services Committee, but not enacted before the end of the

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[40] Kenneth R. Harney, "Stricter Standards Sought for Lenders, Brokers," *Washington Post*, January 27, 2007.

[41] For more information, see CRS Report RS22376, *Changes to Section 8 Housing Voucher Renewal Funding, FY2003-FY2006*, by Maggie McCarty.

109th Congress. (For more information, see CRS Report RL33270, *The Section 8 Housing Voucher Program: Reform Proposals*, by Maggie McCarty.)

While the 109th Congress did not enact Section 8 voucher reform, the 110th Congress is expected to resume the debate. As noted earlier, nearly everyone agrees that the current voucher program rules are unduly complicated and burdensome. Further, recent funding changes enacted in annual appropriations bills have served to leave some PHAs with too little funding to maintain all of their vouchers, while other PHAs have more funds than they are legally permitted to spend. In order to address these concerns, some degree of program reforms and, possibly, funding allocation changes would need to be enacted. On March 9, 2007, the Housing and Community Opportunity Subcommittee of the House Financial Services Committee held a hearing to discuss potential Section 8 reform legislation.

Public Housing Operating Funds. In January 2007, HUD began using a new formula to distribute public housing operating funds to public housing authorities. Under the new formula, some PHAs' eligibility for funding increased, and others decreased. However, any funding increases will be reduced and any funding decreases will be further deepened if the appropriations provided by Congress are not sufficient to fund all PHAs at their full eligibility levels.

Operating funds make up the difference between what tenants pay in rent and the cost of running public housing. The amount a PHA receives is based on a set of allowable expenses set by HUD. PHAs calculate their budgets by totaling up the allowable expenses for all of their units and subtracting the amount they receive in tenant rents. HUD then adds together all of the agencies' budgets and compares the total to the amount Congress appropriated for the operating fund that year. Typically, Congress appropriates less than the full amount that PHAs qualify for under the formula, so HUD applies an across-the-board cut to agencies' budgets, called a proration. The 2006 proration was 86%.

The new funding formula for FY2007, established by HUD through regulation with input from PHA industry groups, adopts new allowable expense levels. It also requires PHAs to adopt a new form of property management — called asset-based management — by FY2011. Some agencies will qualify for a higher budget under the new allowable expense levels and others will face reductions, although both increases and decreases will be phased in. Those that face a decrease can transition to asset-based management sooner to help limit their losses. However, the magnitude of gains and losses under the new formula will depend on how much is appropriated for the operating fund and, subsequently, how low a proration HUD will set.

The President requested $3.5 billion for operating funds in FY2007, which is the same amount that was provided in FY2006. According to HUD estimates, the requested FY2007 funding level would lead to a 79% proration. PHA advocacy groups have protested that HUD's request would be insufficient to meet their needs. For FY2007, the 110th Congress provided an additional $300 million for the operating fund above FY2006 levels (P.L. 110-5). According to HUD, that funding

level would be sufficient to increase the proration level to about 83%.[42] (For more information, see CRS Report RS22557, *Public Housing: Fact Sheet on the New Operating Fund Formula*, by Maggie McCarty.) For FY2008, the Administration has requested $4.0 billion in operating funds.

Asset-based Management. The new operating fund rule also contained a requirement that PHAs convert to a new type of management, called asset-based management, by 2011. Currently, PHAs are able to centrally manage their public housing stock, meaning a PHA can receive funding, budget, and provide services for all of their units in the same way, on a portfolio-wide basis. Under asset-based management, PHAs will receive funding and will be required to budget for their units on a project-by-project basis. As noted earlier, PHAs that are slated to lose funding under the new operating fund rule can convert to asset-based management before the 2011 deadline in order to limit their losses. In order for PHAs to limit their losses in 2008, they must prove that they have converted to asset-based management by the deadline set by HUD.

There have been two main controversies surrounding this process, with the first concerning the deadline. HUD's initial guidance stated that PHAs must prove that they have converted to asset-based management by April 15, 2007 in order to stop their losses in the first year.[43] A subsequent draft notice published by HUD stated that the deadline was October 1, 2007.[44] HUD has since published a statement on its website that the April 15 deadline is the correct deadline. PHA advocacy groups are actively lobbying for HUD to use the October 1, 2007, deadline, and have asked Members of Congress to support legislation requiring HUD to use that deadline.[45] The second controversy surrounds how PHAs should demonstrate that they have converted to asset-based management. HUD published preliminary guidance in September 2006.[46] PHA industry groups have argued that HUD's guidance is "overly prescriptive," and have lobbied for HUD to make modifications. On January 16, 2007, the Chairmen of the Senate Banking and House Financial Services Committees sent a letter to HUD asking the Department to suspend implementation of the

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[42] HUD, Operating Fund Proration Percentage for CY 2007 at Proposed Appropriation Levels, available at [http://www.hud.gov/offices/pih/programs/ph/am/of/estprorationexpl07.pdf]

[43] HUD, PIH Notice 2006-14, Operating Fund Program Final Rule: Transition Funding and Guidance on Demonstration of Successful Conversion to Asset Management to Discontinue the Reduction of Operating Subsidy, issued March 22, 2006.

[44] HUD, "Public Housing Operating Fund Program; Revised Transition Funding Schedule for Fiscal Year 2008 Through Fiscal Year 2012," 71 *Federal Register* 68404, November 24, 2006.

[45] Letter from Council of Large Public Housing Authorities, National Association for Housing and Redevelopment Officials, and Public Housing Authorities Directors Association to HUD Secretary Alphonso Jackson, dated December 6, 2006.

[46] HUD, PIH Notice 2006-35, Operating Fund Program Final Rule: Transition Funding and Guidance on Demonstration of Successful Conversion to Asset Management to Discontinue the Reduction of Operating Subsidy — Extension of Stop Loss Deadline to April 15, 2007, issued September 25, 2006.

conversion to asset-based management until after the authorizing committees have "had the opportunity to look into the issue further."

HOPE VI Reauthorization. The HOPE VI program provides competitive grants to PHAs for the demolition and/or revitalization of distressed public housing. HOPE VI has been popular with many Members of Congress, but it has been criticized by the Administration, which argues that grantees spend money too slowly, and by tenant advocates, who argue the program displaces more families than are housed in new developments. Reflecting these criticisms, HUD has requested no new funding for HOPE VI each year since FY2004. Congress has continued funding the program, although at lower levels than in previous years (the current appropriation is $99 million, compared with $570 million in FY2003).

The statute authorizing the HOPE VI program includes a sunset clause. The sunset date was September 30, 2006. However, the series of continuing resolutions that funded HUD into the 110th Congress (P.L. 109-289, as amended by P.L. 109-383), included a provision continuing the HOPE VI program until February 15, 2007. The FY2007 funding bill (P.L. 110-5) then provided an extension of the HOPE VI program through the end of FY2007. Reauthorization legislation considered in the 109th Congress varied from extensive program reforms to bills that only amended the date in the sunset clause. On March 8, 2007, the HOPE VI Improvement and Reauthorization Act of 2007 was introduced by Senator Mikulski and Senator Martinez. It would reauthorize the program through FY2013 and, according to the sponsors' press release, make "several improvements to ensure grants are cost-efficient, and effective at improving resident and community life."[47] (For more information, see CRS Report RL32236, *HOPE VI Public Housing Revitalization Program: Background, Funding, and Issues*, by Maggie McCarty.)

Assisted Housing Preservation

For the 110th Congress, Representative Barney Frank, the Chairman of the House Financial Services Committee, has stated that preservation of affordable housing will be on the Committee's agenda.[48] Housing preservation involves efforts to maintain the affordable nature of federally-assisted housing. When many HUD-assisted and Low Income Housing Tax Credit (LIHTC) housing projects were developed, building owners entered into contracts in which they agreed to serve low-income families through reduced rents and/or federal rent subsidies for a certain number of years in exchange for government assistance in developing the property. Depending on the assisted housing program, the duration of these contracts, or "use restrictions," is between 15 and 50 years.[49] In recent years, these contracts have

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[47] Press release from the office of Barbara Mikulski, *Mikulski Introduces Legislation To Continue, Strengthen Hope VI Program,* March 8, 2007 [http://mikulski.senate.gov/record.cfm?id=270346].

[48] Remarks of Representative Barney Frank at the Office of Thrift Supervision Housing Forum, National Press Club, December 11, 2006, p. 72, transcript available at [http://www.ots.treas.gov/docs/4/48982.pdf].

[49] Programs in which assisted housing preservation is an issue are the Section 221(d)(3)
(continued...)

begun to expire or, in some cases, property owners have chosen to pay off their mortgages early and end the use restrictions. Contracts for rental assistance, including project-based Section 8 rental assistance, have also begun to expire. By 2005, nearly 200,000 formerly assisted housing units were no longer subject to use restrictions due to mortgage prepayment or expiration of project-based rental assistance.[50] The mortgages on a further 2,328 HUD properties, representing 237,000 housing units, are expected to mature by 2013.[51] These properties make up 21% of the total number of properties with HUD mortgages.

Previous Legislative Efforts to Preserve Affordable Housing. Beginning in 1987, Congress started to enact legislation to help preserve affordable rental housing. Congress first attempted to address the problem through the Emergency Low-Income Housing Preservation Act (ELIHPA).[52] The act temporarily prevented owners of Section 221(d)(3) and Section 236 developments from prepaying their mortgages without approval from HUD. In 1990 Congress enacted the Low-Income Housing Preservation and Resident Homeownership Act (LIHPRHA) as part of the Cranston-Gonzalez National Affordable Housing Act (P.L. 101-625). The program created incentives for building owners to continue offering affordable housing through the Section 221(d)(3) and Section 236 programs. LIHPRHA has not been funded since FY1997 (P.L. 104-204), but during the 1990s it is estimated to have preserved 100,000 units of Section 221(d)(3) and Section 236 housing.[53]

In 1997, the Multifamily Assisted Housing Reform and Accountability Act (MAHRA, P.L. 105-65) created the Mark-to-Market program. Under Mark-to-Market, owners of multifamily housing projects with project-based Section 8 rental assistance contracts can renew those contracts with HUD while also, in some cases, restructuring their outstanding debt on the property. The program is designed both to ensure that HUD pays reasonable market rents for subsidized properties as well as to provide incentives for owners of assisted properties to renew their contracts with HUD.

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[49] (...continued)
program, the Section 236 program, the Section 202 and 811 programs, the Section 515 rural housing program, and the Low Income Housing Tax Credit Program.

[50] National Housing Trust, *HUD-Assisted, Project-Based Losses by State*, March 2, 2005, available at [http://www.nhtinc.org/prepayment/State_Loss_Report.pdf].

[51] U.S. Government Accountability Office, *More Accessible HUD Data Could Help to Preserve Housing for Low-Income Tenants*, GAO-04-20, January 2004, p. 4, available at [http://www.gao.gov/new.items/d0420.pdf].

[52] ELIHPA was part of the Housing and Community Development Act of 1987 (P.L. 100-242).

[53] Emily Achtenberg, *Stemming the Tide: A Handbook on Preserving Subsidized Multifamily Housing*, Local Initiatives Support Corporation, September 1, 2002, p. 2, available at [http://www.lisc.org/content/publications/detail/893].

Mark-to-Market Reauthorization. The authorization that permits HUD to undertake Mark-to-Market mortgage restructuring (discussed in the previous section) includes a provision to repeal the authorizing language at the beginning of FY2007 (October 1, 2006). Before the repealing language could take effect, the FY2007 continuing resolution (P.L. 109-289, as amended by P.L. 109-383) extended the program's authorization until February 15, 2007. Then, the FY2007 funding bill (P.L. 110-5) extended the Mark-to-Market program through the end of FY2011. Two identical bills (S. 131 and H.R. 647), called the Mark-to-Market Extension Act of 2007, have also been introduced in the 110th Congress.

Additional Preservation Legislation. In addition to Mark-to-Market reauthorization, another housing preservation bill, H.R. 44, the Stabilizing Affordable Housing in the Future Act, has been introduced in the 110th Congress. The bill would require HUD to maintain rental assistance contracts on multifamily units it manages or owns due to mortgage default or foreclosure. In cases where HUD-owned or HUD-managed property is no longer able to be rehabilitated, H.R. 44 would permit HUD to contract with owners of other properties to make project-based rental assistance payments for existing tenants. Another provision would require that in cases where HUD disposes of multifamily properties, the property must be appraised according to industry standards (another bill in the 110th Congress, H.R. 655, would do the same).

Housing Tax Incentives

Low-Income Housing Tax Credit Modifications. The Low Income Housing Tax Credit (LIHTC) was created by the Tax Reform Act of 1986 (P.L. 99-514) to provide an incentive for the acquisition and development or rehabilitation of commercial property for affordable housing for renters. These federal housing tax credits are awarded to developers of qualified projects. Sponsors, or developers, of real estate projects apply to the corresponding state housing finance authority for LIHTC allocations for their projects. Developers either use the credits or sell them to investors to raise capital (or equity) for real estate projects. The tax benefit reduces the debt and/or equity that the developer would otherwise have to incur. With lower financing costs, tax credit properties can potentially offer lower, more affordable rents.

Legislation introduced in the 109th Congress, but not enacted, proposed changes in the LIHTC. Proposals ranged from changing the name of the credit to the Affordable Housing Tax Credit, increasing the allocation amounts for all states, deeper targeting of the tax credit to low-income communities, and other administrative modifications. It is expected that similar changes to the LIHTC may be proposed in the 110th Congress.

Single-Family Housing Tax Credit. In the 109th Congress, proposals were made to enact a tax credit program for owner-occupied housing production. Paralleled after the LIHTC program, these tax credits would have been available for developers of affordable single-family housing for owners rather than renters. Proposals of a similar nature are likely to be considered in the 110th Congress.

The LIHTC and HUD Assisted Housing Programs. The LIHTC may be used in combination with other HUD assisted housing programs to fund affordable housing. HUD programs that allow use of the LIHTC in combination with HUD grants include the HOME Investment Partnerships program, the Section 202 and Section 811 programs, the Housing Opportunities for Persons with AIDS program, and the McKinney-Vento Supportive Housing Program. Representative Barney Frank, Chairman of the House Financial Services Committee, has indicated that the Committee would like to work with the House Ways and Means Committee in order to improve the compatibility between the LIHTC and HUD programs in the 110th Congress.[54]

Homelessness

In recent years, the federal government has taken concrete steps to end homelessness among those who are chronically homeless — defined as disabled individuals who have been homeless for long periods of time. The characteristics of the chronically homeless include mental illness, physical illness and disability including HIV/AIDS, addiction to alcohol and drugs, and veteran status. In 2002, President Bush established an initiative to end chronic homelessness within ten years. The result of the initiative has been the revival of the Interagency Council on Homelessness (until 2002 it had not been funded for six years), and a concerted effort among states and communities to develop ten-year plans to end homelessness (currently 53 states and territories and 224 cities and counties have developed ten-year plans). Government agencies have made efforts to coordinate housing and supportive services to serve the chronically homeless, with the Departments of Housing and Urban Development, Health and Human Services, and the Department of Veterans Affairs collaborating on several programs to address the needs of the chronically homeless.

In the 109th Congress, committees including Senate Banking, Housing and Urban Affairs, and the House and Senate Veterans' Affairs Committees held hearings about homeless veterans. In addition, two bills in the 109th Congress (S. 1801 and H.R. 5041) would have reauthorized the McKinney-Vento homeless assistance grants (they have been unauthorized since FY1994). Both bills also would have substantially revised the way the HUD homeless assistance grants are distributed. They would have consolidated three of the four HUD homeless assistance grants and codified the way in which funds are distributed (the President has also urged the consolidation of these three programs in his last six budgets). In the 110th Congress, Representative Julia Carson introduced H.R. 840, a bill that would reauthorize the McKinney-Vento Homeless Assistance Act, consolidate the three competitive homeless assistance grants, and expand the scope of HUD's definition of homelessness. (For more information on the homeless assistance grants, see CRS Report RL33764, *The HUD Homeless Assistance Grants: Distribution of Funds*, by Libby Perl.)

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[54] Remarks of Representative Barney Frank at the Office of Thrift Supervision Housing Forum, National Press Club, December 11, 2006, p. 70, transcript available at [http://www.ots.treas.gov/docs/4/48982.pdf].

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