

THE U.S. DEPARTMENT OF HOUSING  
AND URBAN DEVELOPMENT'S (HUD)  
FISCAL YEAR 2007 BUDGET

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HEARING  
BEFORE THE  
COMMITTEE ON FINANCIAL SERVICES  
U.S. HOUSE OF REPRESENTATIVES  
ONE HUNDRED NINTH CONGRESS  
SECOND SESSION

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MARCH 30, 2006  
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**THE U.S. DEPARTMENT OF HOUSING  
AND URBAN DEVELOPMENT'S (HUD)  
FISCAL YEAR 2007 BUDGET**

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**Thursday, March 30, 2006**

U.S. HOUSE OF REPRESENTATIVES,  
COMMITTEE ON FINANCIAL SERVICES,  
*Washington, D.C.*

The committee met, pursuant to notice, at 9:05 a.m., in room 2128, Rayburn House Office Building, Hon. Michael G. Oxley [chairman of the committee] presiding.

Present: Representatives Oxley, Baker, Pryce, Bachus, Ney, Kelly, Gillmor, Ryun, Miller of California, Tiberi, Hensarling, Pearce, Neugebauer, Fitzpatrick, Frank, Waters, Velazquez, Watt, Carson, Lee, Moore of Kansas, Hinojosa, Crowley, Israel, McCarthy, Baca, Miller of North Carolina, Scott, Davis of Alabama, Green, Cleaver, Wasserman-Schultz, and Moore of Wisconsin.

The CHAIRMAN. The committee will come to order. Pursuant to Rule 3(f)(2) of the Rules of the Committee on Financial Services for the 109th Congress, the Chair recognizes—announces, I'm sorry—that he will limit recognition for opening statements to the Chair and ranking minority member of the Full Committee, the Chair and ranking minority member of the Subcommittee on Housing and Community Development or their respective designees, to a period not to exceed 16 minutes equally divided between the majority and minority. Prepared statements of all members will be included in the record. And the Chair recognizes himself for an opening statement.

Secretary Jackson, it's good to have you back before the committee. We appreciate particularly your flexibility in the scheduling, given our markup schedules and your hectic schedule, we appreciate you being in a relatively unprecedented 9:00 a.m. hearing.

With over 1 million Americans affected by the emergency housing and community crisis in the Gulf, the Federal Government's response in coordination with local and State governments, and non-profit and faith-based organizations will be critical in the ensuing years. As a result, the committee places increased importance on the Administration's proposed housing and community development budgets that include the Department of Housing and Urban Development, the Rural Housing Service administered by the U.S. Department of Agriculture, the National Reinvestment Corporation, and the National Flood Insurance Program administered by FEMA.

The President is to be applauded because the proposal includes a number of initiatives to continue narrowing the home ownership gap, such as continued funding for both the American Dream downpayment program and housing counseling services.

This year, the Administration proposed a flexible FHA product that would increase home ownership in very low income communities. However, we see a significant decrease in funding for the Community Development Block Grant program at approximately 27 percent. Ohio's 2006 CDBG program will receive approximately \$49 million. In Mansfield, in my district, which is one of our largest cities, the local government will receive \$988,972 this year.

In addition to these overall reductions, the Administration's proposal would reform the allocation formula to focus community development funds to the neediest areas of our country.

I would also like to mention my support for HUD's brownfields economic development initiative. I was involved in writing the first brownfields legislation almost 10 years ago across the hall at a time when people were just starting to focus on what redevelopment of these could mean for jobs and cleaning up the environment.

Aside from the contamination at these sites, we found that there were legal and financial obstacles to redevelopment. Unlike brownfield programs in other agencies, the main focus of the HUD program is economic development. It gives local communities a valuable tool to address blight, create new jobs, and expand their tax base. Last year the House passed H.R. 280, the Brownfields Redevelopment Enhancement Act, to provide greater access to this program. That was a bill that was sponsored by our friend Gary Miller from California.

There are some 450,000 brownfield sites located in every State in the Nation. By redeveloping these properties, we also reduce the stress being put on pristine greenfields and farmland, something particularly important to my home State.

And finally, I note that you have included in your budget summary the Department's intention to increase the affordable housing goal for Fannie Mae and Freddie Mac. This committee in the House passed H.R. 1461, which creates a world class regulator to provide stronger oversight of Fannie Mae, Freddie Mac, and the Federal home loan banks. In this legislation, we have rewritten the goals to realign the enterprise's affordable housing focus to match that of lending institutions that are meeting the requirements of the Community Reinvestment Act. It's my belief that when these goals are enacted, we will have made strides toward greater liquidity for making loans to low and very low income American families.

Once again, Mr. Secretary, welcome. And I now yield to the gentleman from Massachusetts.

Mr. FRANK. Thank you, Mr. Chairman. Mr. Secretary, I share the chairman's appreciation of your accommodating us in this hearing.

I am very troubled by—with regard to housing, and I think we have a serious problem regarding housing in this country. The HUD study, I think 2003, it goes through 2003, on worst case housing needs, which is mandated by Congress, and that is a study of the people who have the worst housing problems.

According to that study, these are HUD's figures at the end of 2003, the number of people who have worst case housing situations, that is, unassisted renters—unassisted renters, not Section 8 voucher recipients, etc.—with very low incomes who pay more than half of those incomes for housing or live in substandard housing. We're talking about people who are below 50 percent of the local area median and have to pay half or more of that already inadequate income for rent, or they live in terrible housing. And the number of people in that situation—households, not people—it went from 4.86 million to 5.18 million. So we have 5.18 million households, that's got to be 8, 9, maybe 10 million people, maybe it's 7, living in these terrible situations. And those are people to whom we should be addressing our efforts in part, as well as trying to help communities, and this budget unfortunately doesn't do that.

Some examples. The chairman has mentioned the Community Development Block Grant cuts. Now I know the Administration has again proposed revising the formula to cut out some of the communities that are wealthier. I don't believe that the amount you would save under that comes close to the \$700 million you're proposing to cut in CDBG, and I think that's a very grave error.

I would also say that proposing to cut the upper income communities continues what seems to me an unfortunate trend. When HUD sent up its language to change the Section 8 voucher program, inexplicably to me, it said that with regard to people getting a Section 8 and traveling to another area, the area that had the Section 8 could decide, and that, of course, is the case. They have to decide whether they want to let someone take their Section 8 and travel and how much it will cost. But it would allow the recipient community to veto people coming in. Other than perpetuating economic and/or racial segregation, I can't think of a single good reason for that, and I said a good reason.

So if you give the receiving community the right to veto people coming with their Section 8's, if you say that CDBG will only go to the poorest communities, then to the extent that wealthy communities, the way to deal with this is not, it seems to me, to say that CDBG doesn't go to communities that may have a higher income level, but to make sure that they spend it on lower income people. Because if you say that CDBG only goes to the lowest income communities, then any effort to press upper income communities to accommodate lower income people becomes harder.

You also have, I think, with the refusal to make Hope Six work well with its notion of integration, rather than simply, as this Administration is now proposing, put an end to it as of now.

And so, I see a pattern here in which we are going counter to what I would have hoped would be our program of trying to integrate the communities economically and therefore racially, since income and race are somewhat correlated in this society.

And there's some other troubling areas. Just a year ago, this Congress met to talk about the painful case of Terri Schiavo. And there were a lot of assertions about the importance of protecting the disabled. And while we differed among ourselves on the fate of Terri Schiavo legislatively, we also wanted to help the disabled. We now have a budget which for the second year in a row proposes to

reduce by 50 percent from one year to the next the amount we spend on building housing for the disabled.

I understand the power of the free market. I think the free market is very important. I don't know anybody who thinks that unaided, the free market is going to be able to build housing for severely disabled people. And I do not understand why the richest country in the history of the world has to cut by 50 percent, a relatively small amount, from \$350 million to \$175 million, that we can only spend \$175 million according to this Administration in the next year building housing for severely disabled people.

People who are disabled should be entitled to do more than breathe. They ought to be able to live somewhere, and you're making that, with this budget, extremely difficult.

Finally, I lament the absence of more funding for production of housing in general, cuts in elderly housing from one year to the next, cuts in housing for the disabled, a failure to help preserve units, not individual tenants, but units that were originally subsidized.

Here's the problem. I think the Section 8 voucher program is a good program. It does add some equity. But all we do is year-by-year vouchers, and we continue to shrink programs that either protect existing affordable units or construct new units, whether in public housing or assisted housing with private sector cooperation, housing for the elderly, the disabled—that's the current Administration's plan.

Do more and more with Section 8, and Section 8 looks bigger and bigger, everything else looks smaller and smaller, and don't do any construction. Here's the problem. It does produce some equity, but let's use some good, conservative free market economics. Our housing policy is increasingly to increase the demand for rental housing in a way that does not add to the supply. And when you increase demand and freeze supply, what you get are higher prices.

So I want to keep the Section 8 voucher program, but it needs to be accompanied, I believe, by some construction, because otherwise, these 5.18 million families that you document as being in worst case situations, will be even worse.

Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman's time has expired. The gentleman from Ohio, Mr. Ney, chairman of the subcommittee.

Mr. NEY. Thank you, Mr. Chairman. I'll be very brief because I know that everybody wants to hear from the Secretary.

Last week the Housing Subcommittee held hearings, 2 days of them. I want to thank Congressman Barney Frank; Jeff Riley came in from his staff. We had Clinton Jones, Cindy Chetti, and Tallman Johnson. They spent a lot of time listening to local officials, Republicans, Democrats, county commissioners, and township trustees. There was a great, of course, outpouring of concern with those hearings. We're going to have one more, too, in Los Angeles with Ranking Member Maxine Waters.

Also, the Administration proposed the FHA housing product. I think that is something that's very interesting, and I look forward to working with you on it.

I saw about RESPA, so that's a real simple one, I'm sure, to determine at the end of the day.



The last comment, I do want to continue to work with the Department because there has been, I think, some concerns at least expressed to us about the Manufactured Housing Improvement Act of 2000. I think the manufacture of housing is important for so many reasons in the country. We look forward to working with you.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. The gentlelady from New York, Ms. Velazquez.

Ms. VELAZQUEZ. Thank you, Mr. Chairman. Mr. Secretary, affordable housing represents a way out of poverty and despair for families and individuals. Moreover, it is a basic human right. And it is unthinkable and immoral that the President slashes spending for the Housing and Urban Development budget again this year.

These cuts are especially troubling since HUD, itself, reports that 5 million very low income families face critical housing problems. And the Gulf Coast is in the midst of a housing crisis, one of the worst in our Nation's history.

The President's proposal makes painful cuts and wrong choices, leaving the Nation's neediest families and individuals out in the cold. For the fifth straight year, the Bush Administration's Fiscal Year 2007 budget proposes harmful funding cuts amounting to 4 percent of \$1.5 billion when adjusted for inflation. These cuts jeopardize the housing of low income elderly and disabled families and individuals across the country, and they represent yet another wrong priority for America's working families.

Year after year, this Administration has left our Nation's vital housing programs with limited resources and gaping budget shortfalls, forcing them to scramble to serve families. Although this year's budget spares Section 8 from dangerous proposals of block granting the program, public housing agencies are still recouping from the uncertainty and instability these proposals caused. The Fiscal Year 2007 proposals allows current voucher levels to be maintained but falls far short of providing vouchers to all those families and budgets who need them.

What we need is not band-aid solutions that attempt to fix past failures, but comprehensive policies that meet the housing needs of low income families nationwide.

The President's budget proposes a deep cut of \$261 million to the public housing capital fund, and comes at a time when PHA's already face an \$18 million backlog in capital improvement needs. As a result, the overall number of units in the affordable housing inventory will be drastically cut. This will leave millions without decent, safe, and affordable housing and with no place to turn, since other housing programs are subject to the same type of irresponsible cuts.

Another troubling cut is that to the Office of Healthy Homes and Lead Hazard Control, which faces a reduction of 23 percent, or \$35 million, despite bipartisan support. We put it back last year, and we're going to fight again to put it back.

This budget puts America's housing programs on life support. Not one program received enough funding to fulfill the needs of those it serves. And a cut to one program amounts to a cut for every program, because they are interconnected, relying on one an-

other to fulfill the housing needs of communities, families and individuals.

The President's inability to recognize that the Nation needs integrated, fully funded housing policies illustrates his failure to understand the needs of those trying to climb the ladder of opportunity toward economic and personal independence and stability.

Mr. Secretary, quite a recipe in compassionate conservatism.

Thank you, Mr. Chairman.

The CHAIRMAN. The gentlelady's time has expired. We now will turn to the distinguished Secretary of Housing and Urban Development, Alphonso Jackson. Secretary Jackson, it's good to have you back before the committee, and you may begin.

**STATEMENT OF ALPHONSO JACKSON, SECRETARY, U.S.  
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

Mr. JACKSON. Thank you very much, Mr. Chairman, and good morning to you and to the ranking member, and to the other members of the committee. I want to thank you for the opportunity to present HUD's budget for 2007.

The President is very concerned about helping all Americans have access to decent, affordable housing, and his \$33.6 billion budget request for HUD demonstrates that concern. At the same time, the President understands that fiscal restraints are necessary if we want to reduce the deficit and keep the economy growing and create more jobs and higher wages.

I want to highlight how the President's budget would help HUD achieve the mission Congress has assigned to us, particularly in three areas: Housing more Americans who own their own home, helping those not ready or willing to own their homes to find decent rental housing in the market, and reforming the way the Federal Government supports community development by developing and focusing resources toward the neediest, by beginning to consolidate the community development programs under one umbrella at HUD.

First, Mr. Chairman, is helping more Americans achieve the dream of home ownership. If Congress will enact HUD's proposed changes to the National Housing Act, the FHA will make its mortgage insurance more flexible, so that more Americans can qualify for mortgages without paying sub-prime rates. This will help more low income families own and keep their own home.

Speaking of FHA, I am pleased to say that HUD has recently announced a further extension of the FHA foreclosure moratorium for victims of Hurricane Katrina. Borrowers with FHA loans now have until March 31st to show us that they have made long-term payment arrangements with their banks. If they do, they will have foreclosure protection until the end of June. And this is in addition to what HUD has agreed to—to make interest free loans for hurricane-affected families to pay the FHA insurance mortgage for a year.

The President's budget is \$1.9 billion for the HOME investment partnership program. In the past, every HOME dollar has attracted \$3.60 in private sector investment. Under that program, the President proposed that the American Dream Downpayment Initiative, or ADDI as we call it, be funded at \$100 million. Though

it is a new program, ADDI funds have already assisted 14,000 low income families become first time home buyers.

Another young but important program helping low income families become home owners is the housing choice home voucher program, which allows families on Section 8 rental assistance to use their vouchers to pay the mortgage on their homes for up to 10 years. This program has already helped 5,000 low income families own a home in the last 4 years, and we expect to help 3,000 more by the end of Fiscal Year 2007.

The President has also proposed \$45 million for housing counseling. This is a proven method for helping low income families prepare themselves for responsible home ownership, avoid predatory lending practices, and avoid foreclosure. This program would be able to assist approximately 600,000 families in 2007 if the President's proposal is adopted.

Second, Mr. Chairman, is helping other low income families find decent, affordable rental housing. HUD's largest program, at \$16 billion, is the housing choice rental assistance program.

Because of the unsustainable cost increase, Congress wisely changed this dollar-based system. But for the new system to work better, Congress needs to pass legislation to allow the local PHA's to design their own rent policies. That is why the Administration is asking Congress to pass Representative Gary Miller's State and Local Housing Flexibility Act, House Bill 1999. And I want to thank the Congressman for his leadership on this important issue. And also Representatives Tom Feeney, Katherine Harris, and Rick Renzi for co-sponsoring the bill.

The 2007 budget also proposed funding an additional 3,000 housing units for the elderly or persons with disabilities. All expired rental assistance contracts are being renewed. In order to help more Native Americans become home owners, President Bush has proposed increasing the Section 184 loan guarantee program by 100 percent, to \$251 million. He also wants to increase funding to support housing for persons with HIV AIDS to \$300 million, enough to provide assistance to an estimated 75,000 households.

Our budget request includes a provision that will allow us to allocate these funds more fairly, based on housing cost differences across the country. The Administration also remains committed to helping the homeless. HUD has aggressively pursued policies to move the homeless into permanent housing. This budget proposed to increase the homeless assistance to \$1.5 billion, enough to house more than 160,000 individuals.

Third, Mr. Chairman, is laying the groundwork for reform of the Federal resources that are used to support community development. A key part of HUD's mission is to strengthen communities so that they can be better places to live, work, and raise families.

HUD is committed to developing a better performance measure for the block grant program. But we need a better way to target the block grant funds to those most in need. So HUD will propose a new formula for the block grant allocation very soon to Congress. Also, since the block grant is staying at HUD, the President's budget consolidates three similar programs in HUD into the block grant program, laying the groundwork for further government-wide consolidation later, after HUD proves that the reforms will work.

The Administration has just asked for a supplement of \$4.2 billion. The \$6.2 billion already allocated to Louisiana from the previous supplement still leaves another \$5.9 billion to mitigate needs for Louisiana, \$4.8 billion for housing that was severely damaged or destroyed, and \$1.1 billion for other infrastructures. We estimate that FEMA can provide \$1.7 billion of the \$5.9 million for mitigation. Thus, Louisiana still needs \$4.2 billion to mitigate, and that's why President Bush is requesting the amount.

In conclusion, Mr. Chairman and Mr. Ranking Member, the Administration's budget provides ample resources for promoting home ownership, fair affordable housing, and community development—the key elements of the mission that Congress has assigned to HUD.

This is a good budget, Mr. Chairman, and I respectfully urge Congress to adopt it. And I thank you for the opportunity to speak. I also want to take this opportunity to thank Congressman Rick Renzi for introducing the President's consolidated homeless bill yesterday. We appreciate your leadership in the fight against homelessness, and I am now available for questions.

[The prepared statement of Mr. Jackson can be found on page 55 of the appendix.]

The CHAIRMAN. Thank you, Mr. Secretary. And let me begin. I know you stated publicly last week that HUD is starting to look again at RESPA reform, and obviously there have been some fits and starts, mostly fits, with that issue, despite the fact that it's incredibly important to consumers; it's very important to the housing market.

Could you give us some idea about the goals and the ways that you would propose this particular effort?

Mr. JACKSON. As you know, Mr. Chairman, just about 8 months ago I called for a moratorium on RESPA reform. And I did that because, clearly, there was so much concern about how we address that issue.

I gave an analysis the other day when I was speaking to mortgage brokers, and I'm sure that Congressman Ryun would understand this. I was a sprinter in college, an All American. And it's like having a 400 meter relay. If there's no one to hand the baton off to, you can't be there for the people, and that was the case with RESPA. And I looked around. We had no support period for RESPA. And I said let's go back to the drawing board, and let us listen to you, to the industry, and come up with a solution.

I think we are very close to coming up with that solution. And as I said to the mortgage brokers yesterday—day before yesterday—I think that you will be very pleased. We have taken the good advice, the bad advice, and sometimes the ugly advice, from the industry, and from Congress, to try to come up with a proposal that will address the issues that are most important to RESPA reform. And we think we've done that. And hopefully within the next 60 to 90 days, we will have a proposal before you.

The CHAIRMAN. I appreciate that. And you were clearly in the belly of the beast there with the mortgage brokers, given the past history of RESPA reform. So my congratulations for your bravery and courage.

Let me ask you also whether you see any link between RESPA reform and efforts on this end to deal with predatory lending practices?

Mr. JACKSON. Absolutely. I think it's very important, and that's one of the reasons we're asking you to look at the FHA legislation, H.R. 1999, because clearly there's a group of people right in the middle. They're not truly low income, but they're not truly high income. And in the subprime market, they're being eaten up. The interest rates are entirely too high. And that's predatory lending in many ways.

So if we can pass H.R. 1999, that would put HUD and FHA in a position to address that large group—and it's not a small group of buyers—that large group of buyers, to make sure that they have the opportunity to be home owners. And I say that because we would not in any way do this risk based. If you had good credit, your interest rate would be lower. If your credit was not so good, it would be higher. But after you demonstrate a period of time of paying your house note, then we could reduce the interest rate.

Now I must tell you this, Mr. Chairman. We have not been at our best at Housing or FHA. That's why today that I am very pleased that Brian Montgomery chose to come and be the Assistant Secretary for FHA in the commissioning, because we need an innovative man to try to gain back our share of the market. We've lost a great deal. But not only gain back our share of the market, but address the needs of low and moderate income Americans who want to become home owners.

The CHAIRMAN. Thank you, Mr. Secretary. Let me finally ask you a question regarding H.R. 1461. As you know, the committee passed that legislation, GSE reform, on a large bipartisan basis and indeed, it passed the House with almost 400 votes, and we were quite proud of that. And a part of that legislation, as you know, was to set affordable housing goals for Fannie Mae and Freddie Mac.

And I'm just wondering if you could comment as to how it might enable Fannie Mae and Freddie Mac to better meet their objectives, their housing objectives, and in particular the affordable housing goals as approved by our committee. We want to work with you obviously in that regard and obviously be helpful.

And hopefully, the Senate will take up their legislation on the Floor so we can get to conference and not only create a world class regulator, but also start towards achieving those affordable housing goals.

Mr. JACKSON. First of all, I think that we really need a world class regulator, a first rate regulator, to make sure that Fannie Mae and Freddie Mac addresses their charter mandate.

I must say that over the last year dealing with both Fannie Mae and Freddie Mac, and the leadership of the organization, I think they clearly are making an effort to address the affordable housing goals for the first time, from my perspective. They might not get there, but it's a true effort at this point in time. And I must commend both persons leading each individual organization.

It is imperative that we provide low and moderate income not only rental housing but home ownership. Fannie Mae and Freddie Mac were chartered to do that, and we're going to work with them

to do that. But at the same time, the argument that they've made in the past that if they serve this market they can't, in essence, serve the high end of the market has no validity at all.

It is my belief that they can serve both markets, and I must tell you I think that we're working towards that, and I've seen great progress and strides. But I do think still, Mr. Chairman, that we need a first class regulator to make sure that they continue to do what they should.

The CHAIRMAN. Let me ask you, does HUD, and do you personally, support the goals of the specific language in our bill in regard to the housing goals?

Mr. JACKSON. I can't remember the specific language today. I'll have to go back and review it.

The CHAIRMAN. I guess the effort was to—the committee's effort was to try to simplify the process to make it more understandable. And I would appreciate maybe a response at a later time in writing.

Mr. JACKSON. I will do that.

The CHAIRMAN. Thank you. The gentleman from Massachusetts.

Mr. FRANK. Mr. Secretary, thank you for those words. I appreciate this effort of cooperation between Fannie Mae and Freddie Mac. I agree with you that the new leadership, Mr. Mudd and Mr. Syron, are trying to hard to move forward. So I appreciate your doing that.

And while I'm in the complimentary mode, let me tell you how much I appreciate—I mean this very seriously. On the bottom of page 3 of your statement to the top of page 4, there's a very important statement here that too often gets unsaid, and I want to read it and thank you in your leadership position for saying it. "While home ownership is one of President Bush's top priorities, the President realizes that it is not a viable option for everyone. The largest component of HUD's budget promises decent, safe and affordable housing for families and individuals who may not want to become home owners or who may not yet be ready to purchase a home."

We're in the business of trying to help people get homes. Home ownership is a very desirable piece of that. But I appreciate this, because too often it just becomes home ownership without any understanding that this is for most people, we hope, but not for everybody.

I did want to go back now to the Fannie Mae and Freddie Mac, because I appreciate what you're saying, but first of all, let me ask you, on March 7th, there was an article by James Tyson, whom I have found to be a reliable reporter at Bloomberg, and he quotes you, indirectly—he says Fannie Mae and Freddie Mac shouldn't be ordered by Congress to cut their combined mortgage portfolios, the head of HUD said today. Quote, "the regulators should decide," unquote, the appropriate size. Quote, "we will have faith and confidence in the regulators to look at the issue and come up with a conclusion," end quote, that Fannie Mae and Freddie Mac, quote, "can live with." Unquote.

That appeared to have been—from the record, that appeared to have been your position for about an hour. Because about an hour later, we had a statement—I was about to call you up and congratulate you for it—when you beat me to the punch by retracting

it. Did you change your position? Were you asked to change your position? Or did the reporter just get it completely wrong?

Mr. JACKSON. Honestly, Mr. Ranking Member, he got it wrong. That is not what I said. And I was a little baffled when I saw all of that in quotes.

Mr. FRANK. Well, I appreciate you—let me just say, I check with Mr. Bloomberg. You say that. I have no way to doubt it, but it disappoints me.

Let me then say with regard to affordable housing; I believe that goals are very important. But precisely, and the goals would particularly help us with home ownership, because the goals tend to be in the home ownership area to some extent, although there's rental housing.

But we also in this committee added overwhelmingly a requirement that was sort of based on the Federal Home Loan Bank model, that 5 percent of the after-tax profits of Fannie Mae and Freddie Mac go for affordable housing for people who would be at the level below the goals.

Leaving aside other differences on the bill, what's the Administration's position and your position on that particular provision?

Mr. JACKSON. First of all, I think, Mr. Ranking Member, we shouldn't have to do that.

Mr. FRANK. Well, I didn't ask you whether we should or shouldn't have to. What's your position on it?

Mr. JACKSON. I don't think we need it. Their charter mandates—

Mr. FRANK. No, you're quite wrong about that. Their charter does not mandate that they make grants for people who are in low and very low income. Their charter mandates and we have increased their lending activity should not just be at the high end, but nothing in the charter mandates grants. And if you think that Mr. Secretary, you better go re-read the charter.

The charter does not mandate a grant program for the construction of affordable housing. Where in the charter is that?

Mr. JACKSON. No, that is not what I said, Mr. Ranking Member. I said that their charter mandates that they serve needs of low and moderate income families.

Let me say this—

Mr. FRANK. No, excuse me, Secretary, because you're evading my question. What about families in the rental—in their mortgage, secondary mortgage business? That—we're talking about not low and moderate, but low and very low. And there is no way without this 5 percent requirement that they're going to achieve a significant improvement in the affordable housing start for the lowest income people. But I—

Mr. JACKSON. Let me say this to you, Mr. Ranking Member, I'm not questioning. You have the authority. You're Congress, not me. If you—

Mr. FRANK. I understand that, Mr. Secretary. But you're wasting my time when you say that. I know we have the authority. The question is whether you support it or don't support it.

Mr. JACKSON. I don't think it's necessary.

Mr. FRANK. So you don't support it?

Mr. JACKSON. No, I don't.

Mr. FRANK. Okay. I'm very disappointed in that, and I think it's inconsistent with your professed concern about low income housing.

The other question I had was this. I know on CDBG, you proposed a \$736 million cut, and you say that's not something the Administration wanted—you fully support that. You said you got every penny, you told the appropriators, that you asked for the budget. You proposed cutting back on some of the upper income amounts. We listed like about 70 or 80 communities. Does the amount you would save by your formula change equal the \$736 million you would reduce in CDBG?

Mr. JACKSON. Yes, I do.

Mr. FRANK. Would you give me that chart? Because we haven't seen the formula change, so I don't know how you can say that. But would you give us a chart that gives that?

Mr. JACKSON. Well, we'll be happy to give that to you. We'll be happy to submit it.

Mr. FRANK. Okay. Last point. The reduction in the amount we would spend from one year to the next in construction for housing for the elderly and housing for the disabled. Is it your view that those programs have not been good programs, or that the private market would meet the need, or that we don't need the housing? What's the justification for reducing by 50 percent the amount we would spend from one year to the next to build housing for the elderly and housing for the disabled?

Mr. JACKSON. Because I have to make very, very difficult choices, and we have a Section 8 program that is absolutely eating at the heart of our Agency. And those programs, as difficult as it was, I had to make those choices.

Mr. FRANK. So you don't justify those on the grounds that they're bad programs? It's just there wasn't enough money available to you?

Mr. JACKSON. No, sir.

Mr. FRANK. Okay. I agree. Because what that shows is that if we weren't doing a level of tax cuts we were doing, if we weren't planning to send a manned mission to Mars, and we didn't have the war in Iraq, we wouldn't have that problem.

I would also say I think you have exaggerated the Section 8 issue. But you do make this point. One reason the percentage of the Section 8, the budget that Section 8 is increasing, although by our calculations, only to 54 percent from 50 percent, not as much as you say, is that you're shrinking everything else.

So the notion of this Federal budget with these tax cuts and this war in Iraq, etc., that we have to cut \$300 million approximately out of housing for the disabled and the elderly, which you admit are good programs, because we have to make, quote, "tough choices," unquote, the problem is that the tough choices that have been made, essentially is choosing to spend the money elsewhere, and saying "tough" to the people at HUD.

The CHAIRMAN. Mr. Ney.

Mr. NEY. I want to thank the gentleman. Mr. Secretary, I just had a few questions. One is on the manufactured housing to follow up on my statement when we opened up. The consensus committee, and I wondered how you envision the role of the consensus committee because—this is on manufactured housing, because I think



a lot of people feel that the consensus committee, that it would be feasible for all the policy decisions on manufactured housing, their general applicability, could go through the census committee. Do you believe that, or do you think there's—

Mr. JACKSON. I share your concerns.

Mr. NEY. So you do think—

Mr. JACKSON. Yes.

Mr. NEY.—it could all go through the consensus committee?

Mr. JACKSON. Yes.

Mr. NEY. The Federal preemption on the installation standards for manufactured housing, some people are arguing to us that the language in Section 604(d) of that 2000 Act is broad enough to cover installation standards. Do you have any thoughts on that?

Mr. JACKSON. You have me. I can't answer you right now on that one.

Mr. NEY. The other thing I wanted to ask you was about—you will follow back up—

Mr. JACKSON. I will get that information to you.

Mr. NEY. The other question I wanted to ask you was on Hurricane Katrina. We had just, in the last couple of weeks, found out the housing authority had gotten a Section 8 voucher, and they gave it, you know, obviously to some people who were forced to move out of there and move into Ohio. Now that family was already receiving—and this is something you can't know about. I understand that.

Mr. JACKSON. Okay.

Mr. NEY. But in theory. The family is already receiving a voucher. They took one of their vouchers they had in Ohio and they applied it to the family. Now along the line, is that housing authority going to be able to capture that original voucher that was applied to that family in New Orleans?

Mr. JACKSON. Yes. After we go through the disaster period, the voucher that the person had in New Orleans will go with that person whether they're in Ohio, Pennsylvania, wherever they are, that voucher will stay with them.

Mr. NEY. But the housing authority used one of its own. Does it then go through a formal process to say we used one of our own, can they recapture that voucher back? See, that's what they did.

Mr. JACKSON. Well, actually, Mr. Chairman, they shouldn't have used their own, because we have the Katrina fund and we have the disaster voucher fund. And the moment that those run out, they will capture their voucher from New Orleans. So the housing authority shouldn't have had to use those, because we've allocated funds to follow the family.

Mr. NEY. Probably I'm guessing that it happened in September, probably happened right away, you know, they headed up to Ohio. So maybe everything wasn't in place yet. But they should probably then contact HUD, I assume?

Mr. JACKSON. Absolutely.

Mr. NEY. I've heard this in just scattered parts, you know, around the country.

Mr. JACKSON. Right.

Mr. NEY. Some housing authorities have said that. One other question on the Katrina situation, too. There were some emergency

vouchers created, and I think that was FEMA money I believe that went over.

Mr. JACKSON. That's correct.

Mr. NEY. Are those vouchers in addition to the vouchers that people already had down there, or were there any new vouchers created for people who didn't have vouchers before but were in emergency situations?

Mr. JACKSON. Actually, since the tragedy, they were Katrina disaster vouchers, we had an interagency agreement with FEMA to serve those persons who were either in public housing, on Sections 8, 202, or 811. And many of those persons did not have any means of being housed. So they used the Katrina money to house them. But we had not at any time shifted the vouchers from New Orleans to follow them at that point. And those vouchers are now beginning to be shifted to people who are coming off of the Katrina fund.

Mr. NEY. Mm-hmm. Because I just always wonder if there was a future problem in the fact that there was money taken from FEMA to pay for, quote, "emergency vouchers." And then down the line, all of a sudden, you know the Congresses in the future, of course, it's a Congressional question, but maybe also the Executive Branch would come back and say, well, you know, we put the money to FEMA, but now HUD's going to have a squeezed budget. In other words, I always thought that the FEMA money used for vouchers should always, eventually at the end of the day, I felt should apply to HUD, so that HUD's not penalized.

Mr. JACKSON. Absolutely. We will not be penalized.

Mr. NEY. That's what I thought. One question I had on the new operating subsidy rule for the housing authorities. Some housing authorities, you know, are complaining it's micromanaging. For example, some of the smaller ones say that with this, they've given some additional amount of money, but they're told to hire "X" amount of people that in some cases they don't need, and they have no way out of it. Have you looked at or heard concerns about some of those?

Mr. JACKSON. Well, that's new to me. When we talk about the operating subsidy changing, we're giving great flexibility to the housing authorities. I can tell you when I ran three housing authorities, I would have loved to have had the flexibility. Because my position is, sitting here as Secretary, we do exercise too much control over the housing authorities. You know, Mr. Chairman, I'd love to see the expansion of the Move to Work Act. That is, to give housing authorities more latitude to run their budget. Because I think the Move to Work program, and it's been in a demonstration stage, has been absolutely wonderful. Because if the housing authorities tell us what they want to do and do it, I don't think we should on a day-to-day basis be interfering with them.

Mr. NEY. [presiding] I have a couple of other questions real quick, because I want to go on generally. Stop loss. Do you have a comment on stop loss?

Mr. JACKSON. Stop loss is in the operating subsidy agreement, but it was—we agreed to do it, and it's there. And that was because clearly we heard the voice of Congress, but also we—it was only fair. We had proposed that to the industry, and I don't think you should backtrack once you—

Mr. NEY. So you think stop loss is fair. Because of the votes, I'm going to move on to the gentlelady from California.

Ms. WATERS. Thank you very much, Mr. Chairman, thank you for the hearing. Thank you, Mr. Secretary, for being here. I come to this hearing this morning a bit disgusted, really. Because I am watching what is happening in this country to poor people, and we should all be a little bit ashamed about what we're not doing to assist the poor.

I am really sick and tired of going into these dysfunctional housing developments, commonly referred to as housing projects, where people are jobless, where there's little being done to deal with drug prevention, where there are not adequate programs for the children. And on top of that, in cities like Los Angeles, the homeless population is growing. We have a great need for our nonprofits to be involved with providing services and supporting the city, and the President's budget is cutting the CDBG and striking altogether Section 108 that could go a long way toward community development.

In addition to that, you know, this budget attacks the disabled and the elderly. What are you doing? What is your vision for dealing with all of these programs, individuals that come under your mandate to help? What do you agree with? What do you disagree with in the President's budget? I mean, what—what can you do to give some direction to this Administration about dealing with the needs of all of those poor people, poor working people and others who depend on the resources that come under the HUD budget?

Mr. JACKSON. Congresswoman, I think that's absolutely a fair question. But let me say that I clearly think that President Bush and the Administration takes my advice.

Ms. WATERS. They do?

Mr. JACKSON. And I've said—yes.

Ms. WATERS. This budget is your advice?

Mr. JACKSON. This budget is my advice.

Ms. WATERS. Well, then I'm going to stop being nice to you.

Mr. JACKSON. All right. I won't stop being nice to you.

Ms. WATERS. Yeah, you go ahead. Tell me. If this is what you advise the President, then you come on in here and get what's coming to you. Go ahead.

[Laughter]

Mr. JACKSON. I'm prepared. Let me say this to you. I think the budget addresses the needs. We're in a very difficult time, and I have to make choices. The Section 8 budget, as I said before, is eating at the core of HUD's budget. I think that we must have the flexibility to allocate monies the way it was pre-1998 and stop the growth of the Section 8 program. And I think in stopping the growth of the Section 8 program, we can address other programs.

Ms. WATERS. Let me just interrupt you. I hate to do this, we just have such limited time. How do you stop the growth of the Section 8 voucher program when the need is there?

Mr. JACKSON. Well, first of all, the need is there, but the point is, is that many of the housing authorities are not doing what they should be doing by purging their rolls. Now, you don't have to believe this. I ran a housing—I ran three of them.

Ms. WATERS. Yes, you've said that a hundred times.

Mr. JACKSON. No, it's okay. And that puts me in a different position where I know that they might come to you and tell you one thing, but I know they're not doing what they should be doing.

Ms. WATERS. All I know is that we have a growing waiting list for Section 8 all over the country. There is a great need.

Mr. JACKSON. You're right about that.

Ms. WATERS. What do we do to try to meet the need of desperate people who have nowhere to live?

Mr. JACKSON. I'll tell you what we do is we start, if housing authorities will start purging their rolls and getting people off of Section 8 that don't belong, then we will be able to turn over the certificates. Second of all, if we can have a gradation of people being able to use the Section 8 program, it will flip—it will turn over much quicker.

Ms. WATERS. Do you have proof that housing authorities have people on Section 8 who don't belong in the program?

Mr. JACKSON. Yes. It is clear that they are, because every year I purge the rolls, and it was somewhere between 18 and 20 percent of the people shouldn't have been receiving. They declared no income, but they all had income. And we found that. But there's no incentives for housing authorities to do that today because they get the Administration—

Ms. WATERS. Would you supply to this committee—Mr. Chairman, your evidence of Section 8 participants that you have discovered are on the rolls, who should not be on the rolls. I would say it should be done for every city, but I certainly want to see it for Los Angeles. I want to see your documentation for that.

Mr. JACKSON. What I said to you, Congresswoman, is that when I ran housing authorities, I purged the rolls. Eighteen to 20 percent of the people who were on the rolls didn't deserve to be there, and I don't think that's changed. If you ask me have I—

Ms. WATERS. Do you have the proof of that?

Mr. JACKSON. Not today.

Ms. WATERS. Well, look. If you don't have the proof of that, don't—please don't tell us that the same thing is going on that went on when you—

Mr. JACKSON. It still is.

Ms. WATERS.—managed—but you don't have any proof.

Mr. JACKSON. It still is.

Ms. WATERS. You don't have the proof.

Mr. JACKSON. I'll tell you this. You need to go ask your executive director if—

Ms. WATERS. No, no, no. I'm asking you. You said—

Mr. JACKSON. I think if you asked him—

Ms. WATERS. No. You said it in this committee, and I want to ask you for the proof.

Mr. JACKSON. Congresswoman, I stand by it.

Ms. WATERS. Great. Provide us with the proof. Go ahead.

Mr. JACKSON. I stand by it.

Ms. WATERS. Provide us with the proof. What about Section 108? You advised the President to cut that, too?

Mr. JACKSON. Yes, because it was highly not being used.

Ms. WATERS. Provide us with that proof also.

Mr. JACKSON. I'll be happy to—

Ms. WATERS. What about the elderly? Did you advise the President to cut that, too?

Mr. JACKSON. Yes I did, because the Section 8 budget is eating at the core of our budget, and I had to make some tough decisions.

Ms. WATERS. And so many how many people are left without support, the elderly in that program?

Mr. JACKSON. Well, at the present stage, for the Fiscal Year 2006 budget, we're funding 7,000 new units. And in the 2007 budget, we're funding 3,000 additional units.

Ms. WATERS. What about the disabled? Did you advise the President on that, too?

Mr. JACKSON. We're funding 3,000 units.

Ms. WATERS. I beg your pardon?

Mr. JACKSON. We're funding in the 2007 budget 3,000 units, and we're not taking away any of the existing contracts from any of the 202 or 811's.

Mr. NEY. The time has expired.

Ms. WATERS. Thank you, Mr. Chairman. I just want to make sure that it's in the record that I've asked for documentation and proof on Section 8 in the way that we discussed it, and particularly for Los Angeles. I want to see if the Secretary knows what he's talking about, okay?

Mr. NEY. The gentlelady has requested that to be entered into the record.

Mr. JACKSON. That's fine with me.

Mr. NEY. And entered into the record is fine with the Secretary. Mr. Baker? And it's fine with us. Thank you.

[Laughter]

Mr. BAKER. Thank you, Mr. Chairman. Mr. Secretary, I hope you know something's up when I have a Secretary of HUD before the committee and I don't ask a question about GSE's. Secondly, something is up when I'm not going to mention that the LSU men's and women's team have made it to the Final Four. I'm not going to bring it up.

The reason for my focus, of course, is the response to Hurricanes Rita and Katrina, and I wish to express appreciation for the actual and proposed CDBG funds available to the State for resolution. I know you are aware, but members might not be, that before the State can expend those funds, they must submit to you for approval a plan that outlines how they intend to utilize those important resources.

You are probably aware that this committee passed by large margin a proposal H.R. 4100 some time ago that would have created a Federal resolution corporation to assist in the recovery to which the President expressed some concerns after its passage from committee.

My belief is that, and I may stand to be corrected here, that the standards or rules or procedures by which the State will be judged have not yet officially been promulgated and made public. And the State legislature convened in regular session this week. So they have a clock running on them to be able to put together a package.

And so this morning, I want to outline a suggested potential remedy and get from you a perspective as to it being likely or unlikely that such a plan would gain your approval at the end of the day.

The plan would be subject to, of course, the Governor's support, the legislature having adopted it, and in essence would create at the State level a very similar structure to what was proposed in H.R. 4100 at the Federal level, in that it would be a State-chartered corporation to make some partial resolution with home owners as to pre-Katrina equity, make some partial payout of mortgage obligation to the lenders, would enable the restoration of large tracts of land to be sold back into the private market for development, would utilize to great extent a lot of free enterprise management resources, would enable the restoration of all essential emergency service, would enable the ability up to some dollar limit of restoration of small business function.

As you know, particularly in the urban area of Orleans, we are a community of innumerable small business, and the likely recovery of those enterprises at this point is in question. If—it would provide also for significant environmental remediation. If the plan described achieved those goals, achieved local political acceptability, are the elements we've outlined within the scope of what you intend to look for? And if not, could you outline for me the items that you think are important before Louisiana can spend those funds?

Mr. JACKSON. I think, Congressman, you've addressed a number of the issues that are important to us. And what I said to the Governor and to Dr. Norman Francis, who chairs the committee, is to come back with a plan that addresses the needs of many of the things you just said; housing, making sure people are paid for their homes, decide how the money will be used in the respective communities for infrastructure. And if you come back with that, you all have told us to be extremely flexible in listening to the Governor and the Louisiana Recovery Commission, and we're going to do that.

So I think that with a number of the things that you just said, if the Governor comes back with a plan that's addressed those issues, especially issues of housing and infrastructure, yes, we are very open to listening to that and working with Louisiana.

Mr. BAKER. I thank you, Mr. Secretary. I yield back my time, Mr. Chairman. I yield back, Mr. Chairman.

Mr. NEY. The gentlelady from New York, Ms. Velazquez.

Ms. VELAZQUEZ. Thank you, Mr. Chairman. Mr. Secretary, it has been 6 months since Katrina hit the Gulf Coast, and FEMA still has not issued guidelines for continued eligibility for rent assistance. And this is in defiance of a Congressional directive.

Efforts to provide temporary trailers have been ineffective. They have been marked by delays. Further, mismanagement of the housing crisis has been seen in FEMA's erratic and careless effort to kick families out of motel and hotels on short notice and with no back-up housing options.

Can you tell us what is the Administration's comprehensive plan to rebuild and restore housing in New Orleans? And can you outline how this plan will be implemented?

Mr. JACKSON. Congresswoman, what you just stated absolutely in many cases are correct. And if you look at the lesson learned that was just done by the Administration, it says that clearly we should be the agency for intermediate and long-term housing. But

that requires you to change the Stafford Act, which says that FEMA has the responsibility. Once that Act is changed, then clearly, we take responsibility. But right now, I can't comment on why FEMA has not done certain things.

Ms. VELAZQUEZ. But isn't it true that FEMA and HUD should be working together?

Mr. JACKSON. We are working—

Ms. VELAZQUEZ. Putting together a plan?

Mr. JACKSON. And I don't disagree.

Ms. VELAZQUEZ. Are you working on a plan?

Mr. JACKSON. We are working together on assisting residents who were in public housing on Sections 8, 202, and 811, not those who are not.

Ms. VELAZQUEZ. I'm not talking about the assistance you're providing now, I'm talking about a comprehensive plan.

Mr. JACKSON. But the comprehensive plan can—

Ms. VELAZQUEZ. To rebuild and restore housing.

Mr. JACKSON. We're working to rebuild, but in order for us to work, we're going to have—it's going to be required that we change the Stafford Act.

The Stafford Act makes clear that FEMA is the housing of immediate resort, not us. That's your language. That's your bill, I mean, your Congressional mandate.

Ms. VELAZQUEZ. So you're going to come back to us and you're going to ask for more money in the supplemental, and you're not going to provide us with a plan for us to say this is the right way to do?

Mr. JACKSON. I think, Congresswoman, I've tried to answer you honestly. It's not—

Ms. VELAZQUEZ. Let's go to the next question.

Mr. JACKSON. Okay.

Ms. VELAZQUEZ. Because—it's the rule and the trend here for you not to answer the questions. You have recently released new rules that will require housing authorities to convert to an asset-based management system or suffer financial penalties. I understand that HUD will punish the New York City Housing Authority with a 24 percent cut in the first year alone if it does not comply. These are understandable actions.

However, I am troubled that HUD will withhold funding for up to 6 months while it checks to see if NYCHA is compliant. That is not fair, and to presume guilt instead of innocence. So will you agree to a more reasonable implementation and forbear cuts until HUD can accurately and definitively determine compliance?

Mr. JACKSON. We've already done that with the stop loss provided in the regulation. We've given them time to transition. So, I'm not sure what they're telling you, but—

Ms. VELAZQUEZ. So you're not going to withhold any funding now?

Mr. JACKSON. They have time to transition. We've given them time. And I can't answer that question because I'm not—

Ms. VELAZQUEZ. Well, they are taking steps and they're working on that.

Mr. JACKSON. But I'm not sure what you're asking. We have a transition period which we call the stop loss rule within the regulations.

Ms. VELAZQUEZ. The proposed increase in the housing counseling program does not keep pace with the proposed increase in American Dream downpayment grants, American Dream downpayment is quadrupled, while housing counseling is only increased by 7 percent. What is HUD doing to ensure these families will have access to housing counseling, and that the counselors and programs will have the skills and resources to equip the families with tools they need to stay in their homes?

Mr. JACKSON. When we came first under Secretary Martinez, and I was Deputy Secretary then, the housing counseling program was \$20 million. It's \$45 million today, because President Bush believes that in order to help people in the American Dream Downpayment, they must know what they're getting into. So we've increased the counseling program multifold compared to what it was in 2001 when we came in. And it's serving about 600,000 people, while before it was serving about 300,000 people. So I think that speaks for itself.

Ms. VELAZQUEZ. Well, I don't think that it speaks for itself. I'm talking to you about an increase of 7 percent while you are quadrupling the grants for downpayment. So what it means that a lot of the people in this country are not going to be ready. They might be ready to purchase a home, but they'll not be ready to keep their homes.

Mr. JACKSON. Well, I think, Congresswoman, we've demonstrated our commitment, because as I said before, 2001 —

Mr. NEY. The time has expired.

Mr. JACKSON.—it was \$20 million. Today it's \$45 million.

Mr. NEY. The time has expired. The gentlelady from New York, Ms. Kelly.

Ms. KELLY. Thank you, Mr. Chairman. Secretary Jackson, this year you proposed to reform the CDBG program by cutting it by more than \$1.1 billion, even as the total discretionary budget authority and outlays increase for the Department.

Would it be fair to say that the CDBG program is paying the price for HUD's inability to control costs in its core programs? And if not, how else can you explain that your budget—your budget has increased, but community development, senior housing and housing for the disabled all have double-digit cuts? I think that's unacceptable. I'd like an explanation.

Mr. JACKSON. I will tell you, Congresswoman, it is a very difficult decision to make. The Section 8 program is eating at the core of HUD's budget. I disagree with the congresswoman who said that it hasn't. The case is, it's 64 percent of our budget now, and I have to make very difficult decisions.

Ms. KELLY. Sir, we have to make very difficult decisions about funding as well. But certainly, cutting senior housing, housing for the disabled, and the CDBG grants, those are the things that put our people into housing.

Mr. JACKSON. I will say this to you, again. I have to make some very, very difficult decisions because Section 8 is eating at the core of our budget. And unless we—



Ms. KELLY. Well, then why would you want—

Mr. JACKSON.—have flexibility rules, it's going to continue to do that.

Ms. KELLY. Why would you cut your budget if you obviously need more money?

Mr. JACKSON. I think that clearly we can live within the budget. And let me say this about Community Development Block Grant programs. I think that if we reform the program and address the issues of the cities that are most in need, where poverty exists for economic development, we have enough money to do that. But if we continue the path that we're going on, the best example I can give you is Palm Beach doesn't need block grant funds. Or the city that I am from, Dallas, in many cases, used the block grant fund for housing inspection. That should be the city taking that responsibility.

So if we use the money properly, yes, we have enough money to address the needs.

Ms. KELLY. Well, you're trying to shove off your responsibility, I think, on having the cities pay for it rather than talking to us. You administer programs. In theory, you ought to be able to administer these programs in a way that will help the people that they're intended to help. What you've just said to me is that you are cutting—we know that you're cutting the budget by \$1.1 billion, and yet you're simply—you're sitting there saying, well, I have to make hard decisions. Why would you cut your budget if you have to make such hard decisions that it's falling on our seniors, falling on our disabled, falling on our cities who have to also provide housing?

The budget you submitted for this year recommends a 26 percent decrease in funds for senior housing. It goes from \$735 million to \$545 million. I want to know if you're aware that the Census Bureau has reported that growth for the senior population is faster than any other population group. In a city that I represent, Beacon, New York, the small public housing authority there is going to see a \$300 million cut; it's going to make a difference to the seniors there between paying their fuel bills and keeping the units safe and in good repair.

These are tough choices that local small authorities have to make. But you're not here asking us for more money. You're asking us to cut your budget. That is an oxymoron in my mind. I don't understand that.

Mr. JACKSON. Well, let me say this to you, Congresswoman. It might seem as if it's an oxymoron. I think the budget addresses the needs that I think we should address. It's very difficult times, and I think I said that in my opening statements. We have to make very difficult decisions. But I stand by my position that in the 2006 budget, we have 7,000 units. In the 2007 budget, we have 3,000 units, and we're not taking one contract from any of the elderly or disabled programs today. We're funding every one of those contracts. Community development, I go back to what I said to you before. I think that we have permitted cities to use the money for things that they should be doing and should continue to do. And I don't think we should continue to fund those. I think we should look to those cities. And you might have one of those cities in Beacon that actually needs more Community Development Block Grant

fund and address those needs, rather than addressing the needs of some of the cities that don't.

Mr. FRANK. Will the gentlelady yield for 10 seconds?

Ms. KELLY. Yes.

Mr. FRANK. Because I would just like to remind her that the last time we saw this same proposal for changes, as I remember, most of the communities in her district were going to be eliminated altogether.

Ms. KELLY. That's correct. That is correct. Thank you for pointing that out.

Mr. NEY. I thank the lady.

Ms. KELLY. I wanted to ask one more—one more—going back to reclaiming my time—you said that you would look into the high energy costs on public housing. Did you look into it?

Mr. JACKSON. Yes I did.

Ms. KELLY. And what are we talking about here with regard to high energy prices?

Mr. JACKSON. Last year we allocated energy monies, and I think that clearly most housing authorities can address the needs.

Secondly, during this transition period of the operating subsidies, there are reserves in many of the housing authorities to address the needs. And we really feel at this point that there is no need to ask for any more money for that.

Mr. NEY. Thank you, Mr. Secretary. Mr. Watt.

Mr. WATT. Good morning, Mr. Secretary.

Mr. JACKSON. Good morning.

Mr. WATT. I welcome you here and just have one line of questioning to pursue with you. I'm looking—I guess I should anticipate your response to all of this as these are difficult times and, you know. So that's the response I guess. So if that's going to be your response to every question, I guess I shouldn't even bother.

But I'm looking at your testimony before the Senate. Senator Murray asked you about a cut of what she says was \$1.15 billion from CDBG. You disputed that and said it was actually \$635 million from CDBG. But in that response, this is what you are quoted as saying. This is from the transcript. "When I look at the block grant program"—and this is your quote—"I think we should zero in on those communities that have been in distressed conditions, that really need our help both economically, housing, infrastructure-wise, and gear our money toward those programs to help them move forward, and if they're moving forward, continue to help them until they come to the level that they don't need our help." Which I—was consistent with what you've been saying and what we've been saying about what the Hope Six program does.

The thing that's troubling is, I'm having trouble reconciling that with no request for Hope Six funds this year, and I'm having even more trouble reconciling it with your request to rescind \$99 million in Hope funds from last year. And I'm having trouble reconciling that decision with what you just told Mr. Frank, that it's Congress's decision. We ought to have the authority to tell you what to do. We told you what to do and appropriated \$99 million worth of money last year for Hope Six.

Now, somewhere in this I'm losing—I'm losing how to reconcile this, you know, so help me, please. I mean, I don't want to get in a shouting match with you today.

Mr. JACKSON. I refuse to get into a shouting match with you.

Mr. WATT. Okay. All right.

Mr. JACKSON. Let me say this, Congressman.

Mr. WATT. Help me reconcile those three things. You say that there are still distressed communities. We've been saying that in Hope Six. You say that Congress should tell you what to do. We told you what to do last year. We appropriated money for it. And yet you're here saying we should rescind the \$99 million we did for Hope Six last year, and we should reduce CDBG money this year.

So, I mean, I just can't put that together in my head.

Mr. JACKSON. Let me say this to you, Congressman. I made a—

Mr. WATT. These are difficult times.

[Laughter]

Mr. JACKSON. No. I'm not—

Mr. WATT. Oh, okay. All right. Okay. I'm sorry. I thought I was going to get it out there ahead of you.

Mr. JACKSON. No. I will try to answer your questions.

Mr. WATT. Okay. Thank you.

Mr. JACKSON. I made a request to rescind the \$100 million. I think when I was in the Senate, and it's been made clear to me here today that that request is not going to be granted, so we're going to send out the NOFA for the Hope Six. I still believe—

Mr. WATT. Hallelujah.

Mr. JACKSON. I still believe this today, that with over \$3 billion still in the pipeline unspent, we've only had 54 projects completed out of 235 that we have issued.

Mr. WATT.—committed, though.

Mr. JACKSON. That is not a great track record.

Mr. WATT. They're committed to good plans. Have you gone back to review the plans? I mean, you know, you can't build a community overnight. We've recognized that for a long time. I mean, you know, you can't commit one day to spend money to revitalize a community and have it spent the next day. It takes a while to build a vibrant community. You acknowledge that?

Mr. JACKSON. I agree with that, but—

Mr. WATT. Okay.

Mr. JACKSON. Congressman, it doesn't take 8 or 10 years to do it. It might take 3 or 4 years to do it. But every place where they had not had a developer who could leverage the money, the monies are sitting there. And I don't want to name any specific cities. But the key to it is, is that in place—and I will name these cities—places like Dallas, Atlanta, Charlotte, where they've had developers, they've spent their money and they've created beautiful communities. But that's only 54 out of 235.

Mr. WATT. One of those communities I represent, and if we do a good job and revitalize communities and then you turn around and tell us that this isn't a worthy program and we got other communities, why don't you take the monies to where the people aren't responding and transfer it to the places where they are?

Mr. MILLER OF CALIFORNIA. [presiding] The gentleman's time has expired.

Mr. JACKSON. And I think that's an excellent question. We can't take the money. You can take the money back and tell us to reallocate it, but we can't take the money back once it's allocated.

Mr. MILLER OF CALIFORNIA. The gentleman's time has expired. Mr. Ryun from Kansas is recognized for 5 minutes.

Mr. RYUN. Mr. Secretary, thank you for being here today, and knowing your interest in running after this meeting, you might want to take a run to work through some of these tensions and these tense moments. I want to engage you in an issue that I believe deserves prompt attention both by your Agency and this committee. Your Agency has the responsibility to institute proper guidelines for Federal housing the way—I think it should be consistent in the way Congress wanted it and intended it to be.

I want to specifically address one such guideline that I believe is unintentionally hurting our men and women in our uniform that are serving, standing harm's way for us, even as we speak. Currently, when an individual applies for residency in an affordable housing property, they are considered based on their income requirements, as they should be. However, not all income is treated the same. Many civilian applicants are in possession of a Section 8 voucher. This voucher is not counted as income for the purposes of qualifying. Service members are not eligible for Section 8 housing, but they do receive a basic allowance for housing in the military, BAH. The problem is that HUD currently views this assistance as income, eliminating virtually every service member from being eligible.

Mr. Secretary, this affordable housing program should benefit those who need them most, regardless of whether or not the applicant happens to wear a military uniform. And I'm not proposing anything other than an equitable treatment to the men and women who voluntarily put their life on the line for us.

I firmly believe that we must act now to correct this inequity. A BAH held by a service member should be treated the same I think as a Section 8 voucher held by a civilian. And I know the gentleman from Texas, Mr. Green, is working with me on a legislative fix to this. I would actually prefer that HUD would correct it through some change in its regulation, but it doesn't appear that at this point you're willing to do that.

In fact, my question is this. Do you believe that a soldier's Basic Allowance for Housing should be treated the same as Section 8 voucher when applying for affordable housing property?

Mr. JACKSON. Congressman, I'm in agreement with you. We don't have—but we don't have the power to change it. That's what we're doing with the State and Local Housing Flexibility Act.

Mr. RYUN. It's my understanding you actually do have the power.

Mr. JACKSON. No, we do not.

Mr. RYUN. You can actually make that language change.

Mr. JACKSON. No, we do not. That's why we are asking you to pass the State and Local Housing Flexibility Act, because we're seeing that clearly the way Section 8 is designed today, 30 percent of median is where all of the vouchers are. Well, many of the personnel in the armed forces might be at 50 or might be at 60 percent.

I agree with you. They should not be excluded. But at the present time, we don't have it. If we did, I'd do it tomorrow.

Mr. RYUN. Well, I know we have approximately 50 bases as we're going through global realignment right now that are in the process of some enormous growth, and some of those members coming back will have an opportunity, if we can get this passed—I'm taking what you're saying is that you can't fix it and you would prefer that Congress would fix it?

Mr. JACKSON. Yes. And all we have to do, Congressman—

Mr. RYUN. And that's exactly where I'd like for it to be, and I appreciate your statement. Thank you very much for your time.

Mr. MILLER OF CALIFORNIA. Ms. Carson, you're recognized for 5 minutes. Mrs. Lee? Are you ready? We'll get Ms. Carson afterwards.

Ms. LEE. Okay. Thank you, Mr. Chairman. Well, Mr. Secretary, I really can't say I'm glad to see you today based on your testimony.

Mr. JACKSON. Well, I'm pleased to see you.

Ms. LEE. You know, it's really amazing that here you are at the helm of an agency that's the only agency primarily for the poor and the most vulnerable, and you're advising the President on this budget that really lacks any sense of morality. It is awful, Mr. Secretary, what you said today. What you proposed is awful, and I'm very sorry to see you in this position.

Now let me ask you with regard to this Section 8 issue. You know, going back now to your testimony at the House Appropriations Committee, you said something like 20, 25 percent, 30 percent of the people on Section 8 really don't need to be there. Okay. Yet, in response to Congresswoman Waters' question, you really didn't have any empirical evidence. It was kind of like based on your experience running housing authorities, based on your instincts, your gut, what you see out there, really kind of vague.

But it's my understanding now—I'm looking at a report with regard to GAO in 2005. And they're indicating that about 2 percent, which is \$377 million, that's about what it was in net overpayments. Now that's 2 percent of the entire voucher spending. Now that's about the only factual information that we've been able to come up with. And so how in the world do you continue to justify this? I know just in my own district there are 7,000 people on the waiting list.

Mr. JACKSON. Right.

Ms. LEE. And where there are bad actors at housing authorities that are allowing what you say to go on that's taking place, then you know how to deal with those individuals. But, you know, come on, you can't just decimate this housing initiative that's for the least of these, for those who don't have a lot of money. How do you justify that? Again—

Mr. JACKSON. First of all, I don't want to decimate any housing needs for those who are in need.

Ms. LEE. Well, you're decimating a lot of housing programs for those in need.

Mr. JACKSON. But you asked me a question. I do not want to decimate housing for those that are in need. And we do—we know that there is a clear disparity when we check the figures on the

zero income claim versus that of the Internal Revenue Service. And I will get that to the ranking member. There's a great disparity. And I'm not wrong on that.

But the key becomes, what you asked me, Congresswoman, is that housing authorities, from my perspective, are not doing what they should be doing, that is, consistently purging their rolls—

Ms. LEE. Well, Mr. Secretary, if you know where these housing authorities are, they're three people, four people, ten people, you know how to deal with that.

Mr. JACKSON. But I can't deal with that Congresswoman. That's their right.

Ms. LEE. Oh, Mr. Secretary, come on.

Mr. JACKSON. No, I cannot.

Ms. LEE. What are you going to do, just throw people out on the streets? You're not going to allow for the—I mean this budget is—that's what you're doing with this budget.

Mr. JACKSON. No, we're not.

Ms. LEE. Yes, you are.

Mr. JACKSON. No, we're not.

Ms. LEE. Mr. Chairman—Mr. Secretary—Section 8, when you look at what you're doing with Section 8 alone, you're throwing people out on the streets.

Mr. JACKSON. No, we're not. We're not. I mean, we increased Section 8 in this budget by \$1.1 billion. And it keeps eating at the heart of our budget. But no one—but no one is coming of the rolls pre-1998.

Ms. LEE. But people—7,000 people just in my own district need it.

Mr. JACKSON. I believe that, Congresswoman.

Ms. LEE. People all over the country need it.

Mr. JACKSON. But then your housing authority should be doing their job.

Ms. LEE. They're doing their job, like the majority of housing authorities—

Mr. JACKSON. I seriously doubt—

Ms. LEE.—are doing.

Mr. JACKSON. I seriously doubt that. I seriously doubt that.

Ms. LEE. Mr. Secretary, how do you say you seriously doubt that when we know—

Mr. JACKSON. Because I was in this industry and I know the caliber of people who are running these housing authorities.

Ms. LEE. When were you in this industry? A couple of years ago, 3 or 4 years ago?

Mr. JACKSON. I was in it for about 10 years, and I know the caliber of people who are running it.

Ms. LEE. And what about the caliber of people? What's happening there? How do you see their caliber?

Mr. JACKSON. Well, I don't think they're doing their job, many of them.

Ms. LEE. You don't think they're doing their job?

Mr. JACKSON. No I don't.

Ms. LEE. And so people who need, the 7,000 people, the 10,000 people, the people who need Section 8 vouchers are being penalized

because these housing authority people who you know aren't doing their job because of their caliber?

Mr. JACKSON. Well, I think that—

Ms. LEE. That's a doggone shame, Mr. Secretary, and I don't see how you can tell the President that he needs to do this. It is about as awful and as low as any agency can get.

On discrimination, when you look at what's happening now, the National Fair Housing Alliance, they looked at housing discrimination. Sixty-six percent against African Americans. Housing discrimination. Look at what's happening in the Gulf region. You know, what are you all doing about that?

Mr. JACKSON. The moment we thought that there was discrimination going on, we had a team of people from Fair Housing and Equal Opportunity go down, and it was a team of seven people, and they're still there. And anytime we find discrimination, it's not—we can't tolerate that, period. And we've been working tirelessly to make sure that people are not discriminated against, not only in the Gulf Coast, but for those people who went to other places, because we've had other—

Mr. MILLER OF CALIFORNIA. The gentlelady's time has expired.

Mr. JACKSON.—we've had other incidents in other—

Ms. LEE. Well, you're not asking for more money in this budget for housing discrimination?

Mr. JACKSON. We have money in the budget for housing discrimination.

Ms. LEE. More money?

Mr. JACKSON. No.

Ms. LEE. More money?

Mr. MILLER OF CALIFORNIA. The gentlelady's time has expired. Secretary Jackson, welcome. Have you turned into a racist since we talked last time? I'm kind of shocked at you, sir.

Mr. JACKSON. Well, I think I woke up this morning black and bald-headed, and I'm still black and bald-headed.

Mr. MILLER OF CALIFORNIA. You look like the same man I respected last year when we talked about turning more authority over to public housing agencies, and we got beat to death, as you recall, because nobody trusted them.

Mr. JACKSON. Right.

Mr. MILLER OF CALIFORNIA. Now all of a sudden they're walking on clouds and nobody trusts you. So it's amazing how this has changed. But if you look back in about 1998, only 36 percent of your budget went to Section 8. Now you have, what, 53 percent?

Mr. JACKSON. About 63 percent.

Mr. MILLER OF CALIFORNIA. Sixty-three now? I'm sorry. I'm going to correct my numbers. Fifty-three to 63. The goal we have is moving people out of Section 8 into their own homes. Therefore, opening up more Section 8 housing for the people who need it out there, nobody better than housing authorities to do that.

Mr. JACKSON. That's correct.

Mr. MILLER OF CALIFORNIA. And the best way to do it is to turn more authority over to housing authorities as we sit here with a panel of housing authority agencies saying trust us, we can do it. We can work with you if you give us the authority, but nobody wanted to give them the authority.

Mr. JACKSON. Let me say this to you, Congressman, that's an excellent point. They've been asking for authority to be able to do what they think is best with the authorities. We have 30 agencies in the country to date because of the move to work legislation that was passed and the demonstration program.

Here we are trying to give them more authority, and they're saying, in the process of giving them more authority, we're putting on more restrictions. To me, that is the oxymoron.

Mr. MILLER OF CALIFORNIA. They're guidelines. They're guidelines. These are the guidelines you must work within, and you have the authority to do your job. But I've attended numerous events with you with housing agencies begging you for the authority to do their job, to have discretion to determine how to get people into government housing and get them out of government housing, thereby opening up the whole process. You've worked with them talking about new voucher programs, using the money for down-payment assistance. Would you respond to some of that, please?

Mr. JACKSON. Well—

Mr. CROWLEY. Mr. Chairman? Mr. Chairman, would you yield for a moment? Is it possible to have the first part of your question—

Mr. MILLER OF CALIFORNIA. I'll be happy to let you talk when it's your turn, but right now—

Mr. CROWLEY. I'd like to hear the first part of your question.

Mr. MILLER OF CALIFORNIA.—Mr. Jackson. We're having a good dialogue here, so I'm very happy—

Mr. CROWLEY. For purposes of objecting to your question—

Mr. MILLER OF CALIFORNIA. I resume the point of order that it's my time, not yours, so I ask you to turn the microphone off.

Mr. CROWLEY.—the chairman's words be taken down.

Mr. MILLER OF CALIFORNIA. Well, he can take my words down, but I'll let you speak when it's your turn, please.

Ms. WATERS. Unanimous consent—Mr. Chairman? Mr. Chairman?

Mr. MILLER OF CALIFORNIA. Yes.

Ms. WATERS. I request unanimous consent to ask you why you asked Mr. Secretary if he had turned into a racist? Is that what your question was?

Mr. MILLER OF CALIFORNIA. Certainly.

Ms. WATERS. Is that what your question was?

Mr. MILLER OF CALIFORNIA. I was responding to the comment that he is a racist. And I said have you turned into one since I last saw you?

Ms. WATERS. Why did you ask that question?

Mr. MILLER OF CALIFORNIA. It was kind of a rhetorical comment that I thought was kind of funny.

Ms. WATERS. Mr. Chairman, nobody's been discussing race here this morning. Why did you ask that question?

Mr. MILLER OF CALIFORNIA. Well, Ms. Lee, you asked him if he's a racist.

Ms. WATERS. Mr. Chairman—

Mr. MILLER OF CALIFORNIA. You were laughing at the comment.

Ms. WATERS.—I ask for unanimous consent, please, sir.

Mr. MILLER OF CALIFORNIA. Yes.



Ms. LEE. I asked the Secretary with regard to housing discrimination and their fair housing compliance efforts and if in fact there were any additional funds that he requested to enforce fair housing.

Mr. MILLER OF CALIFORNIA. Let's move on. Let's move on with the conversation.

Ms. WATERS. No, let's just stop this committee right now, Mr. Chairman. You interjected race into this discussion, and I want to know why, and all of us want to know why. Why did you do that?

Mr. MILLER OF CALIFORNIA. Because of the comments made against Mr. Jackson. I know him to be a fair, above-board individual.

Mr. CLEAVER. Mr. Chairman, may I inquire—may I inquire, Mr. Chairman? Mr. Chairman, may I inquire? Mr. Chairman?

Mr. MILLER OF CALIFORNIA. We're going to move on, and you'll be recognized in a moment. Mr. Jackson and I are personal friends. I know him to be a fine man, and I know him to be an honorable man, and my comments were based on that. But would you continue with your response to the issue in Section 8?

Mr. JACKSON. I think that unless we stifle—

Ms. WATERS. Mr. Cleaver, don't leave.

Mr. MILLER OF CALIFORNIA. Mr. Jackson, you may continue.

Ms. WATERS. We'll deal with it.

Mr. MILLER OF CALIFORNIA. Please turn the microphones off.

Mr. JACKSON. Unless we—unless we stop the growth of the Section 8 program in its present form, it's going to eat at the heart of all of HUD's budget.

Mr. MILLER OF CALIFORNIA. I agree. And I think that it's very important that people who are in need, as the Congresswoman said, from California, get the vouchers. If you—pre-1998, Mr. Chairman, people spent about three-and-a-half years on a voucher.

Mr. JACKSON. Today they're spending about 8 years on a voucher. And that means that those persons who the Congresswoman alluded to a few minutes ago—our budget has increased from 42 percent up to 63 percent, but we're not serving any more people. The budget has gone, mushroomed out of control.

Mr. MILLER OF CALIFORNIA. Thank you, sir. I'll recognize Mr. Carson. Ms. Carson? You're recognized for 5 minutes, Ms. Carson. You can turn the microphone on, ma'am.

Ms. CARSON. Welcome, Mr. Secretary.

Mr. JACKSON. Thank you.

Ms. CARSON. I'm Julia Carson from Indianapolis, Indiana. The Indianapolis housing authority has a special unit called the Office of Special Investigations. It helps root out fraud, corruption, and misuse of Federal funds. This unit has prevented over \$1 million of Federal funds going to fraudulent schemes, and has found and arrested over 180 people who have stolen Federal funds.

However, this special unit does not receive nearly enough funding. Last year, it received a grant of \$42,000, but more realistically needs close to \$400,000 a year to continue its great success.

In your testimony to the Appropriations Committee earlier this year—earlier this month, you claimed that housing authorities do not do enough to check on where or who the Federal dollars are going to, supporting an inspector corps. OSI basically acts as this

type of corps you spoke of. However, the OSI in Indianapolis is underfunded. If you support a way for public housing authorities to investigate and stop fraud, as you claim to have done in the past, do you plan on finding a way to fund an investigatory division in public housing authorities?

In your testimony to the—I'm just going to run through these quickly. You can answer them. In your testimony to the Appropriations Committee earlier this month, you stated that you support the idea that would allow housing vouchers to go to families that make up 60 percent of the local median income, thus eliminating or making it very hard for the extremely lower income families to benefit from a housing voucher.

According to the National Committee for Lower Income Housing in the City of Indianapolis, in order for a person who makes minimum wage, which is \$5.15 an hour, they'd have to work 2.5 jobs, 100 hours a week, to afford a two-bedroom apartment at \$673 a month. Can you explain to me how you would justify removing that person who is working two minimum wage jobs from the housing voucher program, or even removing a person who is working for the median income hourly wage, which is \$12.94 an hour in one job, going to be removed from the housing voucher program?

And finally, the brownfields redevelopment program is a vital program in this country. And in my district in Indianapolis, Indiana, however, the Administration feels that the program is not necessary, because CDBG funds can be used for such projects.

Can you explain to the committee why the Administration completely eliminates a project and then underfunds the program, CDBG, that's supposed to support brownfields redevelopment?

The budget being proposed eliminates Section 4 capacity building programs, a program that supports a public-private partnership in order to revitalize communities by stimulating private investment. GAO study cites the program's success in 783 cities and in 990 counties. It's been proven to work, yet the Administration is eliminating it. Mr. Secretary, please provide some insight as to why the Administration would end a program that is a proven success in redevelopment and spurring private investments in affordable housing markets.

Mr. JACKSON. Congresswoman, first of all, I applaud Indianapolis if they are doing what you said by inspections. But that should be an intrinsic part of their budget already, as it's an intrinsic part of all housing authorities' budgets to make sure that they have an inspector corps to make—to purge the list to make sure only the people who should be on the program are on the program.

Secondly, I do believe that the Community Development Block Grant program should be targeted to those communities, as I said earlier, that are most in need. An example, maybe 33 years ago when the program was created, Palm Beach needed funds. I don't think Palm Beach needs funds today. Or maybe Dallas needed certain funds for housing inspectors. But I think that's something that the city of Dallas should take care of itself. It should not be based on Community Development Block Grant programs. They should be used to create housing infrastructure and economic development.

Mr. MILLER OF CALIFORNIA. The gentlelady's time has expired.

Mr. JACKSON. So I do believe that clearly we can target the money to those cities most in need.

Mr. MILLER OF CALIFORNIA. Mr. Hensarling, you're recognized for 5 minutes.

Mr. HENSARLING. Thank you, Mr. Chairman. Mr. Secretary, let me be one of the few to both welcome you and actually mean it. Apparently there's at least two of us here. If I did my homework correctly, is it true that under President Bush's leadership and yours that we now have historic high rates of home ownership in our country?

Mr. JACKSON. It is true. Not only just high home ownership rates, we have the highest ever for minority populations, specifically Hispanic and Black Americans.

Mr. HENSARLING. So if you're in the housing mission business and you head up HUD, I would think perhaps one of the most important milestones you could achieve is a historic rate of home ownership in our country. It sounds as if you have achieved that, and I want to be one to congratulate you for that achievement.

And I know that it is not necessarily within your responsibility, but since we passed President Bush's economic growth program, over 5 million new jobs have been created in this economy. So there are millions who have gone from welfare checks to paychecks. And there seem to be some in this committee who believe that the only housing that ever takes place in America is that with a government check. Isn't a paycheck a better way? Isn't that a better housing program?

Mr. JACKSON. I think so. And as I've said before, and I'm on record, that if you live in public housing or have a Section 8 voucher and you're physically capable of working, you should be working. And we have a lot of people living in public housing and on Section 8 vouchers who are physically able to work who are not working. And I believe they should be working. And I don't back off of that.

Mr. HENSARLING. Mr. Secretary, there's been a consistent theme here among some, and it's not a four-letter word, a three-letter word, cut. As I look at the OMB historic tables for housing functions, since President Bush became president, it appears that housing certificate and rental assistance is up 39 percent, public housing operating fund up 14 percent. This is still the full—the last full budget year. Home investment partnership program up 21 percent. Homeless assistance grants up 33 percent. Housing opportunities for persons with AIDS up 16 percent. In total, it appears that we've gone from roughly 30 billion to roughly 38 billion, a 26 percent increase in housing assistance, not all of which is under HUD. But that is at least two-and-a-half times the rate of inflation. So I know people are entitled to their own opinions. I'm not sure they're entitled to their own facts. And I know certain programs have been decreased. But in total, it appears that under President Bush, if we believe that spending, Federal spending is the answer to all of our housing challenges, is up considerably. I mean, why—the question I might have is, if we had kept the programs as we had under President Clinton and we merely adjusted them for inflation, it looks like you're spending two-and-a-half times the amount that otherwise you would have had to have spent.

Mr. JACKSON. Let me say this, Congressman. When we came in, our budget was almost \$30 billion. It got up to about \$36.8 billion. This is the first time since I've been here either as Deputy Secretary or Secretary, because of these difficult budgetary times, that our budget has been decreased. In fact, until this year, there were only three areas that had a decrease since President Bush has been president. That was Homeland Security, Defense and HUD.

So I think that when asked do I think that the cut in the community development block program if we target the cities most in need, we can make it work, yes, I do. So I agree with you. We have had a steady flow, an increase in this budget every year since I have been here either as Deputy Secretary or Secretary.

Mr. HENSARLING. I see my time is beginning to run out. Let me turn your attention to the hurricane relief. Congress has provided \$11.2 billion in CDBG disaster assistance for the Gulf Coast recovery. Recently the House passed another \$4.2 billion in additional CDBG funding. Can you tell me how these funds are being used? I know that FEMA is required to provide obligation reports to the Appropriations Committee. Does HUD make similar information available on who's receiving these funds, how are these funds being used?

Mr. JACKSON. Absolutely. We will have to go in and audit all of these funds. As of today, none of the funds have been distributed. We've gotten the plans in from Mississippi, but we are awaiting the plans in from Louisiana, and I think they're supposed to be in very, very soon.

Once the plans are submitted to us, we will evaluate to make sure—

Mr. MILLER OF CALIFORNIA. The gentleman's time has expired.

Mr. JACKSON.—that those plans address the needs that you all have allocated the monies for. And once that's done, we will begun to fund the project. But we will also do audits on a consistent basis to make sure the money is spent according to what you said.

Mr. HENSARLING. Thank you.

Mr. MILLER OF CALIFORNIA. Secretary Jackson, we've talked in the past about FHA multi-family mortgage and increasing the amounts allowed. But in the new proposal I see that we're also talking about doubling mortgage insurance premiums. And in the past, FHA has always made money for the Federal Government. Don't you think that's a disincentive to people using the program?

Mr. JACKSON. No, I really don't. I think that we had it in—we've always had that part of our business in private hands. We're bringing it in house. But I don't think it's going to hurt the program.

Mr. MILLER OF CALIFORNIA. It won't—

Mr. JACKSON. No I don't. Not if we pass—give us the flexibility to be able to go out and deal with that middle market group of people who are now in the subprime market and make them offers.

Mr. MILLER OF CALIFORNIA. Okay. Great. Mr. Moore is recognized.

Ms. WATERS. Will the gentleman yield for a second?

Mr. MILLER OF CALIFORNIA. Mr. Moore yields time.

Ms. WATERS. Not on his time, because the Secretary said the budget is \$36.8 billion?

Mr. JACKSON. It's \$33.6 billion.

Ms. WATERS. That's different than what you said.

Mr. JACKSON. I said—

Ms. WATERS. That doesn't increase—

Mr. JACKSON. No, I said it got up to, at one point it was up to about \$36.8 billion.

Ms. WATERS. Well, your budget now is \$33.6 billion?

Mr. JACKSON. That's correct.

Ms. WATERS. So that is a decrease of how much or an increase of how much?

Mr. JACKSON. That's a decrease of about, I think it was \$34.2 billion last year.

Mr. MILLER OF CALIFORNIA. Mr. Moore is recognized for 5 minutes. Mr. Moore? You're recognized.

Mr. MOORE OF KANSAS. Mr. Secretary, what is the total proposed budget cut in your Agency?

Mr. JACKSON. From last year I think it's about \$600 million.

Mr. MOORE OF KANSAS. I'm sorry?

Mr. JACKSON. About \$600 million.

Mr. MOORE OF KANSAS. Six hundred million dollars. In these times when we're dealing with problems like Hurricane Katrina and other problems around our country, do you think it's appropriate to be making cuts in your Agency?

Mr. JACKSON. Mr. Congressman, I think you've allocated supplemental money to address Hurricanes Katrina, Rita, and all of those. So that has no effect on our Agency.

Mr. MOORE OF KANSAS. All right. Was there a cut or a proposed cut in the Administration's budget for supportive housing for persons with disabilities?

Mr. JACKSON. Yes. Yes, there's a reduction.

Mr. MOORE OF KANSAS. All right. And in fact it's about a 50 percent reduction. Isn't that correct?

Mr. JACKSON. That's correct.

Mr. MOORE OF KANSAS. Is it appropriate, do you think, for us to be cutting back on people who really need our help the very most?

Mr. JACKSON. I think that in these budgetary times, it's very difficult, and I go back to what I said before, to the Congresswoman, the Section 8 budget is eating at the core of HUD's budget. I think that right now in 2006 we have 7,000 units for elderly disabled in the budget. In 2007, we have 3,000 units for elderly disabled, and we're not taking any of the contracts that already exist for the elderly. And I think it's enough to address the needs.

Mr. MOORE OF KANSAS. Is the aging population in this country growing or shrinking?

Mr. JACKSON. I think it's growing.

Mr. MOORE OF KANSAS. I think it is, too. And so it makes me concerned when we start cutting back in that area, especially for people with disabilities.

Mr. JACKSON. I can't say I don't share your concern, but I had to make some very hard budgetary decisions. And I think if you will work with me and help me pass the State and Local Housing Flexibility Act for the Section 8 program, where it will stop eating at the core of our budget, I'll be able to address many of the issues you said.

Mr. MOORE OF KANSAS. Mr. Secretary, what concerns me, I'm on the Budget Committee. I believe—I believe strongly in a balanced budget and fiscal responsibility. We have an \$8.2 trillion national debt the Senate just voted last—2 weeks ago to increase the debt limit to \$9 trillion. I got seven grandkids, and I'm very concerned that we're putting our kids—the grandkids in a hole so deep they'll never be able to climb out. But I don't think we should be balancing the budget on the backs of people who desperately need our help, and I don't think we should be doing that just so we can have bigger and better tax cuts. That's my concern.

Mr. JACKSON. My position is, is I don't think I'm balancing the budget on anyone's back. I think this budget addresses the needs of low and moderate income Americans.

Mr. MOORE OF KANSAS. Well, we're cutting back, sir, on people with disabilities. Right here, this program. We're cutting back on child support enforcement. We're cutting back on Medicaid for children who live in poverty. We're cutting back, we're imposing a veterans tax on people who want health care by increasing the co-pay. That disturbs me, and I—

Mr. JACKSON. Well, Congressman, my answer is that Congress is the authorizer and the appropriator, not HUD.

Mr. MOORE OF KANSAS. And I'll do my best. Thank you, sir.

Mr. MILLER OF CALIFORNIA. Mr. Neugebauer, you're recognized for 5 minutes.

Mr. NEUGEBAUER. Thank you, Mr. Chairman. Mr. Secretary, it's good to have you here, a fellow Texan. How about we talk about something besides the budget for a few minutes? First of all, I do want to, in reference to that, is I appreciate the fact that you've taken a good fiscal stand on this.

There are tough choices. And one of the things that we do know is that some of these mandatory programs are eating away at all of our discretionary money, and this is another example of that.

I had—you talked about the mortgage brokers. I've been in the housing business nearly 32 years in one form or fashion or the other, and I've watched a lot of innovation in the mortgage area and change during that period. But one of the things that FHA has not really changed a lot in some of their core programs, so I'm looking forward to working with you on coming up with some ways to make FHA more creative and innovative and competitive. Because as you know, your originations are down.

But one of the issues that was brought up by the mortgage brokers was the fact that coming up with a program, and they're now I think originating over 60 percent maybe of the loans in America. But many of them are ineligible to originate FHA loans, and some of these are small brokers, that would like to work out a plan where they could put up bonds rather than going to the expense of a very expensive financial, annual financial audit.

What would be your response to that? These are folks that originate a lot of loans. We need them on our team.

Mr. JACKSON. I would say this. They are free to come and discuss it with Commissioner Montgomery, and I think he would be very receptive to looking at new and innovative ways of doing things.

In fact, as I said earlier, Mr. Congressman, that's why I'm really pleased that he's on the staff, because he has been innovative, and

that's the deal that we're proposing, would give him flexibility so we could address those people who are being addressed now in the subprime market, and if we can find quicker, easier ways to do it, we will work with anyone. He's very open, and I'm very open.

Mr. NEUGEBAUER. And also I would hope that some of the reform that we look at is that we've done a good job of standardization of mortgage documents, and I know that, you know, was pleased to hear some of the things that you're saying about RESPA.

I would hope that, you know, we could make that documentation process and origination process really very similar across ways that are already accepted by the marketplace. I think that ought to be a part of that.

Mr. JACKSON. I think that the process we had before and we're trying to negate at this point was extremely cumbersome. And I think that's why a lot of persons didn't want to deal with, or brokers didn't want to deal with HUD. And we accept that full responsibility. And again, Brian is working with the industry to try to change that. Because if we're going to be competitive in the market, we've got to be very flexible.

Mr. NEUGEBAUER. And then finally, and I'll yield back the balance of my time, but I also want to thank you. I was here last year when you came and talked about RESPA, and I had some concerns about that process. I felt like that train was loaded up with nobody but was headed down the path, and I appreciate the fact that you stopped that process, brought the industry into—and listened to them, and I'm looking forward obviously to seeing what the final product of that is.

But that's what I think government's about. We ought to be partners and not regulators. And I think the fact that you're trying to forge partnerships is—you are to be commended for that, and I appreciate that.

Mr. JACKSON. Thank you very much, Congressman.

Mr. NEUGEBAUER. I yield back the balance of my time.

Mr. MILLER OF CALIFORNIA. Mr. Hinojosa, you're recognized for 5 minutes.

Mr. HINOJOSA. Thank you, Mr. Chairman. I want to say welcome, Mr. Secretary. I am glad that we're having this hearing. I also wish to express my ire in what you had to say in your testimony about HUD's budget for 2007. Mr. Secretary, I want to thank you for working with me in the past on RESPA, and I look forward to continuing to work with you as you move forward with RESPA reform, especially the yield spread premium. I want to work with you to find ways to enable mortgage brokers to provide loans at lower rates than the current system allows. That is very important to my Congressional district.

I want to note that I will submit questions in writing to you, Mr. Secretary, and the committee, for the hearing record on such subjects as the recommendations I recently received that might lower mortgage rates to the low income, especially to minorities in South Texas.

The proposal would allow the mortgage brokers to access the FHA loan program and employ surety bonds to reduce the rates they charge. Mr. Secretary, I have in my hands several important and critical letters from constituents. All these letters indicate that

my constituents aren't happy with HUD's budget proposals, particularly cuts to CDBG. I've had to write or co-sign and send to my colleagues on the Appropriations and Budget Committee these many letters requesting that they counter the ill-conceived, poorly crafted, and in places, hollow budget that you, Mr. Secretary submitted to Congress. Chairman Miller, I ask, respectfully ask that these letters be included in the record.

Mr. MILLER OF CALIFORNIA. Without objection, so ordered.

Mr. HINOJOSA. They request that the appropriators level fund the USDA Section 515 rural rental housing program at its fiscal year appropriation of \$99 million in one of the letters.

Another is a letter from the entire Texas delegation, both sides of the aisle, expressing dissatisfaction with HUD's allocation of the CDBG funds to Texas for Hurricanes Rita and Katrina. The first one is signed by Senator Kay Bailey Hutchison and Senator John Cornyn, in addition to the entire Texas Delegation in the House.

Mr. Secretary, I want to emphasize that the proposed budget would harm public housing authorities. It would eliminate the Housing Assistance Council program. It would eliminate the Rural Housing Economic Development program. It harms the program for National Council of La Raza, championed by the Congressional Hispanic Caucus members.

And the most egregious proposal is the reduction in funding for the Community Development Block Grant that so many communities across the country rely on for funding. Numerous constituents have come to visit me in my office to express their concerns about CDBG reductions. They have asked me to express to you their anger that you would attempt to cut CDBG funds and pit the CDBG program against others for funding. I want to note that I have co-signed many letters to ensure that the programs are funded at an adequate and appropriate level.

Mr. Secretary, as the chairman of the Congressional Rural Housing Caucus, I can't believe that you, as our Secretary of HUD, would launch an all-out attack on rural America by proposing to zero out housing programs and grants that benefit those areas and the people in them, particularly the low income and minorities, including the African Americans and Hispanic Americans and Asian Americans.

In conclusion, Mr. Secretary, I want to ask—I want to ask you that you knowing that the budget is going to harm those in need, as I expressed, especially the low income minorities and those in rural America—

Mr. MILLER OF CALIFORNIA. The gentleman's time has expired.

Mr. HINOJOSA.—which constitutes the majority of my district, can I count on you to change directions and encourages Congress to fight and restore the cuts to HUD?

Mr. MILLER OF CALIFORNIA. You can respond to the question, Mr. Secretary, if you want to.

Mr. JACKSON. Congressman, as I said before, I think that we have an appropriate budget level to address the needs of those low and moderate income people in the country.

Mr. MILLER OF CALIFORNIA. Mr. Bachus, you're recognized for 5 minutes.



Mr. BACHUS. Thank you. Mr. Chairman—I appreciate that. Mr. Secretary, last week in Tuesday's Washington Post I saw a very nice article about you, and the fact that you're mentoring college students, and I appreciate that.

Mr. JACKSON. Thank you very much.

Mr. BACHUS. It was a good personal insight into what kind of person you are. It also said in that article that you were very successful in heading public housing for the city of St. Louis. Washington hired you because you had done such a good job, and then Dallas hired you because you had done such a good job in Washington.

And your record has been that you come in and you do things more effectively.

Mr. JACKSON. I try.

Mr. BACHUS. And that you get results. And we've heard a lot about cuts in this program or that program. I think what we've not heard today that's part of the true story is there are several programs that you've instituted that are working phenomenally well and have resulted in tremendous increases of home ownership for fewer dollars.

One such program is the prison reentry program. We have over a half million prisoners leaving prison every year, and the prison reentry program is a success in decreasing the number of ex-prisoners going back into our prisons, and instead, getting jobs and actually getting into homes.

Let me ask you, and you can answer this as a result of your experiences, or let me give you mine. I don't know how many of the members have owned Section 8 housing, but I actually own several of them. And I always wondered why my tenants, who were paying their rent every month, didn't contact me and say that they want to buy the house. I've never had one do that.

And I finally wrote them. I decided I would just give them an opportunity to do that. I almost felt guilty getting, you know, rent every month. And about three of them responded, but I talked to all of them, and they basically said that they don't know how to do it.

Mr. JACKSON. That's right.

Mr. BACHUS. Which shocked me. Almost every one of them said, "I want to, but I don't know how to do it." One of them had gone and talked to somebody who said that it was going to cost all this money.

You have a counseling program that has resulted in a lot of Americans owning homes, part of the total picture of a record number of minorities and others owning their homes. And I know with me, they received counseling. I referred them to counseling, and five of them bought those homes.

But would you talk about some of the programs that have been a success?

Mr. JACKSON. Let me say this to you, Congressman. When we came into office, we allocated about \$7 million for housing counseling. When the President made the declaration in Atlanta in June of 2002 that he wanted to close the home ownership gap that existed between whites and minorities, specifically blacks and Hispanics, and wanted to increase home ownership by 5.5 million new

black and Hispanic home owners by 2010, one of the things that I advised him on is that if we're going to do that, we must have more money for housing counseling.

So we went from \$10 million to \$45 million. We went from serving about 20 million people—I mean, about 300,000 to 600,000 a year. So in that process, we said, if you're going to own a home, we're going to tell you what to expect so you won't lose that home. We don't want to put you in a home and then you lose it.

And we've been very successful. Today we've launched 2.6 million new minority home owners. And many of these people are still in their homes. But many of them didn't have a clue, like Pearl Cardaden, who was a lady in Philadelphia. They had told her she would never own a home. But when she went through our counseling program with her kids, she now owns a home, and we check periodically on Pearl, and she is doing very well with the home ownership. But it took us about 9 months to get her ready to go in and be prepared to buy a home.

I think that's very important. I will say this to you, too, Congressman. I've never seen anybody who wanted to stay in public housing on a Section 8 voucher. Whenever you talk to people, they want something better. And my perspective is, is to try to give them something better. But if they have no incentives to get anything better, then they're going to accept what they have.

And I guess I'm concerned because a lot of times when I talk to people, they look at low income people as an object, something to be very paternalistic and patronizing to.

Mr. MILLER OF CALIFORNIA. The gentleman's time has expired.

Mr. JACKSON. I see low income people as human beings with the same sense of worth as me, who should be given an opportunity to do better.

Mr. BACHUS. I would just like to say that I appreciate the fact that we have a Secretary who sees people out there and families and wants them—doesn't want to keep them in these programs if, you know, when they can own a home and reach financial security. And I appreciate the work you've done.

Mr. JACKSON. Thank you very much.

Mr. MILLER OF CALIFORNIA. Just to remind the committee, we have votes in approximately 15 minutes. So if we can move forward. Mr. Crowley, you're acknowledged for 5 minutes.

Mr. CROWLEY. Thank you, Mr. Chairman. Mr. Secretary, I welcome you as well.

Mr. JACKSON. Thank you.

Mr. CROWLEY. And I welcome you here to grill you as well, because that's part of the job we have—

Mr. JACKSON. I understand.

Mr. CROWLEY. So, this is not personal. But let me just say, I want to follow up on Ms. Velazquez's questions regarding asset based management. I understand from the New York City Housing Authority that HUD will begin withholding funds, a punishment, of the \$30 million, if NYCHA, starting in January 2007, if they do not comply with your asset based plan by January of 2007. But HUD will not actually approve of NYCHA's assets-based plan until 6 months later, June of 2007, after penalties are slated to begin.

My question is, would you pledge to hold off making any cuts until HUD actually approves of each PHA's asset-based conversion plan, and if a PHA fails, would you then give them an opportunity, a window of a few months to revise their conversion plan before cuts actually begin?

Mr. JACKSON. Let me say this, Congressman, I am willing to work with them to make sure they go to the asset-based model. I'm not out, and I mean this sincerely, to hurt any housing authority, because I know it's very difficult to run housing authorities. So we're going to work with NYCHA. We're going to work with every housing authority to make sure they need. I believe as long as they make a good faith effort, and the effort's in good faith, we're going to work with them.

Mr. CROWLEY. Thank you. I appreciate that answer. I had another question, but I'm going to in a moment yield to the gentlelady from California. Before I do that, this is a very sensitive discussion and topic we're having today, a very serious one, and that is of housing.

And much of this—there's an underlying sense of race in terms of separation of the quality of housing in this country to begin with. And I appreciate the chairman when he said that he meant this in a humorous way. But I don't think injecting race even in a humorous way is productive here in this committee. And it took me a while to understand what the questioning was, because I was, quite frankly, stunned when the question was first asked, and I did not object in time to have the words taken down.

Having said that, what my mother always said, if it's not something we can all laugh at, it ain't that funny. And I appreciate the attempt to inject some humor into this, and I always look for it to be funny, and I can laugh just like anyone else.

I didn't on that question, and that's why I injected, Mr. Chairman. With that, I will yield the balance of my time to the gentlelady from California.

Ms. WATERS. Thank you.

Mr. JACKSON. Just a second. Congressman, Mr. Chairman—

Mr. CROWLEY. This is not against you.

Mr. JACKSON. Let me say this to you. I think I must—

Mr. CROWLEY. My time is limited. I would like the gentlelady to first—

Mr. JACKSON. Mr. Chairman?

Mr. CROWLEY. And you'll have an opportunity—I didn't ask you a question.

Ms. WATERS. I thank the gentleman for yielding, and I just want to say to the chairman, I'm going back to this, as you said, humorous comment that you made. I thought it was kind of strange and off the wall and fairly weird. When I was talking with the Secretary, I wanted to make this point again, that in September of 2000, the National Fair Housing Alliance conducted an investigation of housing discrimination among Katrina evacuees and found that 60 percent were African American and Latino evacuees. And they found that about 66 percent of those evacuees who were African Americans were discriminated against.

And so the question I was asking you once again had to do with your fair housing enforcement and why in fact given what we see

now as an upsurge in housing discrimination, why you're not asking for additional funds for fair housing enforcement efforts.

The chairman's—I guess, humorous, as he saw it, remarks weren't very humorous to me, because so many times people are accused of playing the race card. And when everyone is accused of that, I think we need to deal with it. I think it's very unfortunate, because I don't think this discussion with regard to the poor, with regard to those who need HUD's assistance, has been addressed in a way that warranted that type of humor.

And so, thank you, Mr. Crowley, for yielding, and I hope the Secretary understands what we're concerned about, and that's discrimination, housing discrimination, and fair housing efforts on behalf of your Agency. Your Agency is the only agency that can look out for these persons who need help.

Mr. JACKSON. And I agree with you, Congresswoman. And we're going to look out to make sure that there's no discrimination. But I would like to add this. I know Chairman Miller very well. I was not offended, and I took it as humor, because he has been extremely fair and open with me. And so I'm not disturbed at all.

Ms. WATERS. I know you're not disturbed, but I'm disturbed, because it wasn't funny.

Mr. MILLER OF CALIFORNIA. The time has expired. Mr. Tiberi is recognized for 5 minutes. None of my comments were meant to impugn anybody's integrity at all on this committee.

Mr. TIBERI. Thank you, Mr. Chairman. Mr. Secretary, thank you for being here today. It's been a real honor and privilege to work with you and your staff. Thank you for your leadership in home ownership opportunities.

Mr. JACKSON. Thank you.

Mr. TIBERI. As a former realtor, I think you've done more for home ownership opportunities in America than any Secretary in the past, and I look forward to working with you and Commissioner Montgomery to not only increase home ownership among all Americans, but also reform our FHA program to help the private sector as well.

As you know, FHA's Title I program provides insurance for home only manufactured home transactions.

Mr. JACKSON. Right.

Mr. TIBERI. I was a State legislator and was involved in that program from the State's perspective, and it truly is an affordable housing program. Oftentimes these home buyers can only afford the home and must lease the land on which the home sits.

The program has fallen into disrepair, as you and your colleagues know. For instance, in 1992, over 30,000 manufactured housing loans were insured under Title I, compared to the past 3 years when less than 2,000 manufactured housing loans were insured. Congressman Frank and I have introduced legislation, H.R. 4804, which would make statutory changes intended to restore the program to what it once was.

We're both serious about the legislation and want to pass the legislation with the Department's help. And I'd like you to give the committee and us at least the assurance that you and the Department are committed to Title I reform and will work with us to make those changes this year.

Mr. JACKSON. I can assure you that we share your concerns, and we're going to work with you.

Mr. TIBERI. I appreciate that, and I hope that the Department continues to work with us on making home ownership available to every American who'd like home ownership.

Mr. JACKSON. Thank you so much.

Mr. TIBERI. Thank you for your work.

Mr. MILLER OF CALIFORNIA. Mr. Baca or Mr. Scott? Mr. Baca, do you yield to Mr. Scott?

Mr. BACA. Yes, I do, right after just I make additional comments. I think this is—

Mr. MILLER OF CALIFORNIA. You're recognized for 5 minutes.

Mr. BACA. Thank you very much, Mr. Chairman. This is a very important hearing, and I appreciate the Secretary being out here. As we look at a lot of our areas, like in my immediate area where housing becomes very important, affordable housing, and especially as we look at Section 8 as well as the ability for Section 8 vouchers to be available, and having this kind of hearing and having you here and to make sure that we do not discriminate against an individual, but provide an opportunity to individuals to own a home for the very first time.

As we look at housing continues to go up, and many individuals within our communities, especially the Hispanic, African Americans and poor disadvantaged don't have the same kind of opportunity because they don't obtain the same kind of wealth, and it's important that we continue to provide an opportunity to own a home for the very first time.

And I know what it's like to own a home for the very first time, because coming from a large family of 15 as I did, I know when we were able to finally have a home and have stability, became very important for my family and for myself in terms of not only my attitude and behavior within that area, and I hope that we can continue to have HUD provide service, especially to the low income individuals to make sure that they could afford to buy a home, whether it's through Section 8 or through the CDBG that's important to a lot of us.

And I hope that you look at urban communities like San Bernardino or the Empire where we have everybody moving from LA and Orange County, because homes are a lot less, but not—they're still not affordable for a lot of us, even though they say the average is \$345,000, that's still a lot for someone on an income of maybe, you know, \$10,000, \$20,000 a year and you have two parents who are working trying to buy a home for the very first time. So I appreciate that.

And I appreciate the services that you've done for our area too as well in the homes that have been available through TALECO and others for seniors to obtain a home as well.

Mr. JACKSON. Thank you very much.

Mr. MILLER OF CALIFORNIA. Secretary Jackson, you and I have talked about brownfields in recent years. And in the recent budget, that wasn't included. And I think we have a real opportunity for probably half a million sites in this country, also bringing up CDBG for other purposes. And I—what's the chances of getting you

back in line or the Administration back in line on the CDBG issue as far as it applies to brownfields?

Mr. JACKSON. Mr. Chairman, I am open to any advice that you all give me.

Mr. MILLER OF CALIFORNIA. I think it's an important tool for us.

Mr. JACKSON. Right. And I think that in the present form of it we do the reforms of Community Development Block Grant, we will also be able to clearly clean up brownfields.

Mr. MILLER OF CALIFORNIA. Great. Thank you, sir. Mr. Scott, you're recognized for 5 minutes.

Mr. SCOTT. Thank you very much, Mr. Chairman. Mr. Jackson, I can't begin to adequately express again my range of disappointment and discouragement on behalf of the American people in terms of the incompetence and the lack of sensitivity that this Administration, and particularly HUD, has towards its basic constituency, the very people that you are referring to as "those people," your reference to "my budget," there seems to be a very personalized effort here on your part.

But let me just remind you on two important points. First of all, it is Congress's duty to appropriate this money. Second, this money that Congress is appropriating is the people's money. It's not yours. It's not mine. And the people in this country now are hurting.

They are needing this country to respond to these hurts. They're hurting from Katrina. They're hurting because of an Administration, and most expressly, the key agency in that Administration being HUD, not responding as they should. There are families that have been devastated because of that failure. And instead of this Administration talking about "my budget" and these restraints and this and that, cutting aid to disability with housing or disabilities by 50 percent, cutting CDBG grants by 20 and 25 percent, cutting HUD and just trying to completely eliminate that is not what the American people want. And I'm here to tell you, they've had enough.

And quite honestly, I've had enough. I can't wait till the day that in all due respect to you, I can't wait until you're gone, until you're away from HUD. I like you as a person. This is not a personal attack on you. But when you sit there and say what you say in the manner in which you say it, you are hurting an awful lot of people. You are killing the hope in a lot of people, seniors who need these programs.

Now that I have said that, and I wanted to say that on behalf of my constituency, a constituency that is suffering this day with great angst because you're proposing to cut the CDBG, Community Development Block Grants, based on some formula that completely negates my district. When you talk about—

[Interruption to the proceedings]

Mr. SCOTT. When you talk about developing and changing the formula for Community Development Block Grants, for example, and you talk about emphasizing the need in the cities, you take out of the consideration the dramatic demographic changes in America.

I represent a metropolitan district in Atlanta that is around Atlanta, Clayton County, Cobb County, Douglas County, with great needs. And these communities are highly dependent on their life

blood for the Community Development Block Grants. So that formula is not a cookie cutter represents all.

I have repeatedly begged and pleaded before this committee on Hope Six. Why in good faith in Atlanta and Fulton County Hope Six programs, which have been the best examples of success, why would your policy be to throw the baby out with the bath water? If there are specific areas, and you've pointed to them, question after question was asked, and you would come out, well, I know these people, or these are bad performing people in HUD. Why should the people suffer who we're targeting who need these programs because of some bad personnel or people who are not doing their jobs? Get rid of the people who are not doing their jobs. Or if there's some Hope Six programs that are not working, get rid of them, but don't punish the programs that are being effective.

We're going to fight tooth and nail, and I believe there is strong bipartisan support on this committee and in Congress to make sure that we keep the Community Development Block Grants—

Mr. MILLER OF CALIFORNIA. The gentleman's time has expired.

Mr. SCOTT.—and we keep the Hope Six program.

Mr. MILLER OF CALIFORNIA. I'm going to ask you to respond to this question in writing. We're going to give everybody 2 minutes. I understand you have to leave. We have votes. This way, everybody has 2 minutes, we have time to complete our process here and not have to come back after the vote.

So, Mr. Fitzpatrick, you're recognized for 2 minutes.

Mr. FITZPATRICK. Thank you, Mr. Chairman. Mr. Secretary, thanks for your service to our Nation.

Mr. JACKSON. Thank you.

Mr. FITZPATRICK. And your testimony here today. Congratulations also on the outstanding home ownership numbers. I represent a district in southeastern Pennsylvania, Philadelphia, Bucks County, Montgomery County, where housing prices are very high.

Mr. JACKSON. Right.

Mr. FITZPATRICK. We're especially interested in the first time home buyer programs, housing prices being high. Once the home owner gets into their first home, they're pretty much okay. I was a county commissioner in Bucks County for 10 years, and I also want to put in a positive plug for the Community Development Block Grant program. I've written to the budget chairman. I'll make sure that your office gets a copy.

We've done some great things in Pennsylvania with Community Development Block Grants. We appreciate the flexibility at the local level, especially to leverage other resources to match the Federal dollars and do some pretty good things. But I want to talk specifically on a different issue; it has to do with reverse mortgages.

I introduced a bill in the House, it's a bipartisan bill endorsed by AARP, that would remove the volume cap on what HUD refers to as the home equity conversion mortgage program. So it's passed the House. There's a bill pending in the Senate, that identical bill.

We're going to try to have a hearing up in southeastern Pennsylvania in mid-May. It would be great, Mr. Secretary, if you could find the time to either come up or have one of your senior staff come up and testify with regard to that bill. But if you could maybe give our office in response or in writing HUD's position on how this

bill may or may not help seniors. We think it would be a great help for seniors and how it may impact the mortgage market, the second—reverse mortgage program.

Mr. JACKSON. Thank you. We will. And we're in agreement with you. I truly believe that it will help.

Mr. FITZPATRICK. Okay.

Mr. JACKSON. And we will give you a response, though.

Mr. FITZPATRICK. Thank you.

Mr. MILLER OF CALIFORNIA. The gentleman's time has expired. Mr. Davis, you're recognized for 2 minutes.

Mr. DAVIS. Thank you, Mr. Chairman. Let me, since I missed a lot of the fun, Mr. Jackson, I'll try to get you out of here as quickly as I can. What I will do is just ask one question in these few minutes.

This is the fourth time, as you know, that the Administration has wanted to do away with Hope Six. It's the fourth time or the fifth time the Administration has tried to make cuts to CDBG. We've established that. What I'm always curious about is, as you know, Congress had a vote last year on Hope Six. In fact, Ms. Harris from Florida and I sponsored an amendment on the floor restoring funding. The Senate followed suit. We had 60 Republicans vote for our amendment.

Mr. JACKSON. Right.

Mr. DAVIS. You know there's been a strong bipartisan support for CDBG's. What's curious to me and my one question to you is, does the Administration make any effort to in any way factor in the opinion of the Republicans in Congress who disagree with you and the many Republican mayors around the country who disagree with you?

Mr. JACKSON. Of course we take into consideration. I take advice and—

Mr. DAVIS. Do you ever follow it?

[Laughter]

Mr. JACKSON. Sometimes.

Mr. DAVIS. Sometimes? Just not on Hope Six and CDBG's?

Mr. JACKSON. No, because I think that Hope Six, out of the 230 or so projects that we've allocated, only 54 have been completed in 15 years.

Mr. DAVIS. I don't want you to repeat yourself. But since this is my last 10 seconds—

Mr. JACKSON. All right.

Mr. DAVIS.—I just want to make this point. A lot of people on the other side of the aisle disagree with you. You know how rare it is to get 60 Republicans to vote with Democrats on anything. So I would just ask you to take note of that rare cosmic event around here.

Mr. JACKSON. Believe me, I take note of it.

Mr. MILLER OF CALIFORNIA. Thank you, sir. Mr. Green, you're recognized for 2 minutes.

Mr. GREEN. Thank you, Mr. Chairman. And I thank the ranking member in her absence or his absence, excuse me. And I will try to be brief as I can. What I'd like to do is revisit something that Congresswoman Davis spoke about, and that is discrimination in housing.



I, too, have the statistical information, and will tell you that I was very appreciative that you came to Houston to announce an initiative to fight discrimination in housing. I understand her passion on this issue because she and I worked together to add an additional \$7.7 million—

Mr. JACKSON. That's correct.

Mr. DAVIS.—to fight discrimination in housing, and we had the assistance of the ranking member. We had Congresswoman Waters. They were on the point to help us to get it done. And the passion runs deep on the issue.

And what I'd like to do is ask a question that will give you an opportunity to tell us what we may do to get additional funding in that area, because there is so much passion. What can we do, given that that was—that was passed, by the way, with bipartisan support, that \$7.7 million. What can we do to get additional funds in an area where it is clearly needed, the discrimination is clearly there?

And by the way, for edification purposes, we're not just talking about racial discrimination; there are other forms of discrimination. What can we do to get the additional funds?

Mr. JACKSON. Congressman, Congress is the authorizer and the appropriator. I mean, you—if you allocate the funds, they will be used. But I am—I'm going to say this—I am as concerned as you are, as Congresswoman Waters is. I think that you were with me when I made the announcement.

As a Black American sitting as the HUD Secretary, I have to be concerned with discrimination. I was brought up in a discriminatory fashion. I didn't go to white schools. I went to segregated schools until I got to college. I did not go to school with whites, Hispanics, or anyone else. So I am very concerned. And today, discrimination still exists in many places. So I am very, very concerned. And that's why I sent a team of people to Mississippi and to Louisiana once I found—I was informed that discrimination was taking place, because I will not tolerate that, not as long as—

Mr. MILLER OF CALIFORNIA. Mr. Cleaver, you're recognized for 5 minutes.

Mr. JACKSON.—as long as God gives me breath.

Mr. MILLER OF CALIFORNIA. Thank you, Mr. Secretary.

Mr. CLEAVER. Mr. Secretary, thank you. This really doesn't impact you. I did get quite angry earlier, Mr. Chairman, at your joke, and tragically, our Nation is not where we hoped to arrive with regard to race, and so some things at this point probably should not become a joke. I didn't respond to something a few months ago when someone made a joke about slavery. Mr. Watts responded to that. And so it's unfortunate. I don't like being there, and I don't like the—I was told when I was sworn in by many people how much—about the acrimony and the acerbic dialogue here, and I pledged never to participate in it. And I want at this time, I've expressed myself, I think Mr. Crowley was articulate enough on the issue.

Mr. Secretary, thank you. The pin-up and the pop up was very good. I have it here. You did a study in 2005 on discrimination against persons with disabilities.

Mr. JACKSON. That's correct.

Mr. CLEAVER. And one of the findings was that there is in fact widespread discrimination against persons with disabilities. What is the follow-up of the studies, a HUD plan?

Mr. JACKSON. Yes it is. And with the new Assistant Secretary, she is working very hard. I wish I could tell you that I was surprised, but I wasn't surprised. I was surprised by the magnitude, but not surprised that there was discrimination based on disabilities. And we're doing everything in our power to correct that. And I have great faith in our Assistant Secretary for—

Mr. MILLER OF CALIFORNIA. The gentleman's time has expired. Ms. Wasserman-Schultz, you're recognized for 2 minutes.

Ms. WASSERMAN-SCHULTZ. Thank you, Mr. Chairman. Mr. Secretary, I can appreciate that your time is valuable, as is ours. This is a 70-member committee.

And in the future, given the shorter tenure and less significant seniority on this committee of the members on the front row, I'd appreciate it if you would afford the time in your schedule to make sure that we could get through without having to rush our questions and not get adequate answers from you. So, I'm appreciative of the time limit since we have to vote, but I did want to add that.

I'm from Florida, as you know. We're 62 days from the 2006 hurricane season, and I want to follow up on what I know Congresswoman Velazquez asked you about is there a tangible that I can see and hold, plan in place, related to the upcoming hurricane season and the previous hurricane season in terms of getting people the housing that they need as a result of the damage and ensuring that we have fewer problems than we had in the previous hurricane season? And can I have it?

Mr. JACKSON. First of all, you would have to get that from FEMA, from Homeland Security. They're the first resort for this.

Ms. WASSERMAN-SCHULTZ. No, Mr. Secretary, they're responsible for short term. They're not responsible for long-term housing issues.

Mr. JACKSON. They're responsible for all of the natural disaster that occurs in this country, not HUD.

Ms. WASSERMAN-SCHULTZ. When there are housing shortages—

Mr. JACKSON. That's not what you asked me. You asked me—

Ms. WASSERMAN-SCHULTZ.—accountability.

Mr. JACKSON. Well—

Ms. WASSERMAN-SCHULTZ. Are not working with FEMA?

Mr. JACKSON. Yes we are. But that is FEMA's responsibility and I'm not going to address this issue for another cabinet member. They're the first responders, not HUD.

Ms. WASSERMAN-SCHULTZ. So you don't have any plan? You have not been working with FEMA on—

Mr. JACKSON. We have been working with FEMA.

Ms. WASSERMAN-SCHULTZ. Is there a plan that I can see?

Mr. JACKSON. I say you have to talk to FEMA. I am not the Secretary of Homeland Security. I'm the Secretary of Housing and Urban Development. And that is within their purview. Secondly, I accommodated the committee. You rescheduled the meeting, not me. I was available.

Ms. WASSERMAN-SCHULTZ. I did nothing of the kind. As you can see, I'm—

Mr. MILLER OF CALIFORNIA. Your time has expired.

Mr. JACKSON. Then I would suggest that you understand—

Mr. MILLER OF CALIFORNIA. I'm going to recognize Mrs. Moore.

Ms. WASSERMAN-SCHULTZ. I don't have a lot of control over the meetings in this room.

Mr. MILLER OF CALIFORNIA. I'm going to turn the microphone over to Mrs. Pryce to continue the hearing.

Ms. MOORE OF WISCONSIN. Thank you, Madam Chairwoman, and good morning, Mr. Secretary.

Mr. JACKSON. Good morning.

Ms. MOORE OF WISCONSIN. My questions are very brief. I just want to explore for a second your notion that Section 8 really promotes a culture of dependency. And of course it's a \$14.4 billion program that serves about 3 million people, and of course the—you say that there are people who report zero income, and of course, the minimum wage has not been increased for 8 years, and it should be about \$15.78. Now the home mortgage interest deduction that both you and I are going to claim on our April 15th tax return—

Mr. JACKSON. Right.

Ms. MOORE OF WISCONSIN.—serves about 35 million people, and \$325 billion, which is 23 times the amount that is spent on the Section 8 program, I'm wondering, there's been some rumors floating around that perhaps the President is looking at cutting this program. Just yes or no? Do you support ending the \$325 billion home mortgage interest deduction, which is not means tested, the richest people in America can claim it? You've talked about the 8 years dependency that people on Section 8 have, and so would that be a good way to sort of recoup some dollars for the treasury, and for core programs at HUD?

Mr. JACKSON. I'm not an economist, Congresswoman. And I don't see the comparison between the Section 8 program and—

Ms. MOORE OF WISCONSIN. The dependency on the housing subsidy for 3 million people. It's a housing subsidy just like the home mortgage interest deduction is. You don't see the comparison?

Mr. JACKSON. I'm sorry. I don't see the comparison.

Ms. MOORE OF WISCONSIN. Oh, I see. All right. Why don't we move on. I'm a new member, so you say that Section 8 eats at the core of HUD's programs, and of course people went on and on about the cuts in CDBG, Section 8. You've talked about your home ownership initiatives, but yet and still there are proposals to raise premiums dramatically.

Ms. PRYCE. [presiding] The gentlelady's time has expired, and there is a vote on, so if you could wrap up your question.

Ms. MOORE OF WISCONSIN. Thank you. Thank you, Ms. Chairman. I just want to know, what is HUD's mission?

Mr. JACKSON. HUD's mission is to provide decent, safe, and sanitary housing to low and moderate income people. And I'll be happy to get you the information on FHA raising of the limits so you can understand it better. I think it will not hurt us.

Ms. MOORE OF WISCONSIN. And Ginnie Mae, too.

Mr. JACKSON. Yes. I'll be happy to do that.

Ms. MOORE OF WISCONSIN. Thank you. Thank you, Madam Chairwoman.

Ms. PRYCE. Thank you. All right, Mr. Secretary, welcome, and I know you've had a long morning, and I want to personally thank you very much and your staff for working with me to find a solution to the new rule on Section 8 income eligibility for students that may adversely have been impacted by the low income disabled students ruling, or the legislation from the Senate. Your help is greatly appreciated. Your prompt response to my inquiry was terrific. We now have legislative language to fix this. All we need is a vehicle, but the rest of the work is ours to complete, so thank you.

Mr. JACKSON. Thank you.

Ms. PRYCE. I'd like to echo the concern of many of my colleagues regarding the proposed funding cuts to the Community Development Block Grant programs. CDBG is a proven program that delivers results everywhere, and in my home town of Columbus, Ohio.

So, that noted, I also want to inquire about the Fiscal Year 2007 budget calls for formula changes to the program, and the creation of new bonus funds for communities expanding home ownership.

Mr. Secretary, while I welcome the opportunity to discuss reform proposals that seek to improve the efficiency of the government programs, I just want to ask you when we might learn more about your proposed changes and so we can start determining how they'll affect our communities?

Mr. JACKSON. They should be—we finalized them. They should be to you all fairly soon, I would hope by the end of next week.

Ms. PRYCE. Great. That's wonderful. All right. Well, with that, Mr. Secretary, once again, my thanks.

Mr. JACKSON. Thank you.

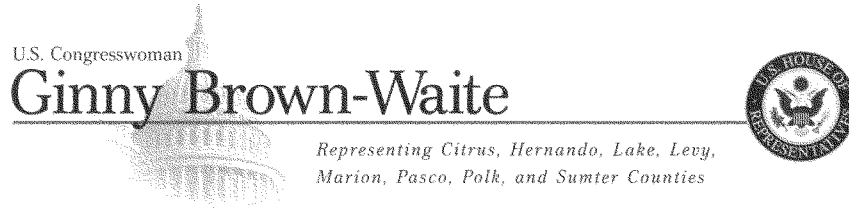
Ms. PRYCE. The Chair notes that some members may have additional questions for this panel, and I'd submit those in writing. Without objection, the hearing record will remain open for 30 days to submit those written requests and to place their responses in the record.

Mr. JACKSON. Thank you very much, Madam Chairwoman.

Ms. PRYCE. Thank you, Mr. Secretary. This hearing is adjourned. [Whereupon, at 11:31 a.m., the committee was adjourned.]

# **A P P E N D I X**

March 30, 2006



**Committee on Financial Services – Overview of President’s FY 07 Budget, HUD  
March 30, 2006**

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Thank you Chairman Oxley.

And thank you Secretary Jackson for appearing before us today.

The biggest concern I hear from my constituents when I go home is government spending. They’re concerned with the deficit, they are concerned with waste, and they want their government to run as efficiently as possible. However, simply cutting government programs is not the answer to our constituents’ concerns; neither is simply throwing money at a problem. This Congress must look at ways of improving the best programs and eliminate those that are out-dated, duplicative, or show little success.

I appreciate a number of initiatives included in the President’s budget. I appreciate that the FY 07 Budget includes an increase in HOME Investment Partnerships. This program has shown considerable success in getting the private sector involved in promoting homeownership. The housing market, as many know, has carried our economy for the past several years and we should do everything in our power to ensure that it remains strong. Accordingly, I am equally supportive of the American Dream Downpayment Program.

However, I am hoping that the Secretary will shed some light on some of the President’s other proposals included in this budget. The President’s budget includes a reduction in the Housing for the Elderly section and Supportive Housing for Persons with Disabilities, and I hope the Secretary will tell us why. I hope the President is not proposing to cut these programs without providing an alternative or recommend ways to improve it.

I look forward to hearing from the Secretary and welcome him again to the committee.

**STATEMENT BY REP. BERNARD SANDERS AT THE  
FINANCIAL SERVICES FULL COMMITTEE HEARING ON  
THE HUD BUDGET**

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Mr. Chairman and Secretary Jackson, the issue of affordable housing has rapidly become a serious national crisis -- one where millions of senior citizens on fixed incomes, persons with disabilities, and low-income families with children are increasingly unable to afford a decent place to live. In the richest country on earth, this is unacceptable.

Secretary Jackson, in my view, it is immoral to provide hundreds of billions of dollars in tax breaks to millionaires and billionaires over the next decade, while cutting the affordable housing budget by over \$1 billion.

We must all be cognizant that the President's budget to permanently reduce taxes for millionaires alone would cost more than 15 times as much as his proposed cuts to affordable housing.

How can we afford to provide \$600 billion in tax breaks to millionaires and billionaires over the next decade, but we can't afford to adequately house our nation's elderly, disabled, and children?

Secretary Jackson, according to your Department's own estimates, there are 11.4 million Americans in desperate need of affordable housing, many of them paying over 50 percent of their limited incomes on housing, who are receiving absolutely no help from HUD. Over 3.2 million of these Americans are elderly and over 3.6 million are children. About 75% of Americans eligible for the Section 8 rental assistance program do not receive any help because of a lack of resources. And, there are nine seniors on waiting lists for each apartment that becomes available under the elderly housing program.

In my State of Vermont, a full-time worker needed to earn almost \$14 an hour to afford a two-bedroom apartment last year. 155,000 Vermonters or 56% of my State's employees made less than that amount. Nationally, the figure is even worse. A full time worker needs to make \$15.78 an hour -- more than three times the current minimum wage -- to afford a 2 bedroom apartment. Mr. Secretary, isn't it about time we raised the minimum wage?

**QUESTIONS**

1. Mr. Secretary, the President's budget proposes a 50% funding cut to the Section 811 Disabled Housing program, from \$237 million to \$119 million. If adopted, this would mean that funding for the Section 811 disabled housing program will have been cut by 53% in real terms since the Bush Administration took office. If Congress approved the President's budget, fewer than 200 new units of affordable housing for the disabled would be built in the entire country. Do you really believe that there are only 200 disabled persons in this country in need of new affordable housing units?
  
2. The President's budget proposes a 26% funding cut in the Section 202 Elderly Housing program, from \$736 million to \$545 million. If adopted, this would mean that funding for the Section 202 elderly housing program will have been cut by 39% in real terms since the Bush Administration took office.

Mr. Secretary, over 8 million of the nation's 21 million elderly households have incomes below \$10,500. According to some estimates, about 730,000 units of affordable housing need to be built for the expanding elderly



population in the next 14 years. Yet, your budget only includes funding to construct 2,700 units of elderly housing this year. Do you really believe this is adequate?

3. The President's budget proposes a 20% cut in the Community Development Block Grant Program, from \$3.711 billion to \$2.975 billion. If adopted, this would mean that funding for CDBG will have been cut by 42% in real terms since the Bush Administration took office. Last year, my State of Vermont used CDBG grants to rehabilitate more than 771 units of affordable housing and to help create or retain more than 500 jobs. These proposed cuts are opposed by the U.S. Conference of Mayors, the National League of Cities, and the National Association of Counties. How can you justify cutting this successful program?
  
4. The President's budget proposes an overall cut of \$459 million to public housing, which serves over 1 million extremely low income families. If adopted, funding for public housing will have been cut by 32% in real terms since the Bush Administration took office.

HUD has estimated in recent years that there is a backlog of uncompleted public housing repairs and improvements in excess of \$20 billion, yet the President is only requesting about \$2.1 billion for capital expenses. How can you justify this?

5. The President's budget proposes a 24% cut in funding for lead paint prevention, from \$150 million to \$115 million. If this budget level is approved, would it undermine ongoing efforts to protect children from lead-based paint in older buildings?

**WRITTEN STATEMENT OF  
SECRETARY ALPHONSO JACKSON  
U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**



**HEARING ON  
HUD'S FISCAL YEAR 2007 BUDGET  
BEFORE THE  
COMMITTEE ON FINANCIAL SERVICES  
U.S. HOUSE OF REPRESENTATIVES**

**MARCH 30, 2006**

Chairman Oxley, Ranking Member Frank, distinguished Members of the Committee:

The President's proposed FY 2007 Budget truly reflects his intent to address our nation's housing, economic, and community development requirements. HUD's \$33.6 billion FY 2007 Budget seeks to build on our success and lend a compassionate hand to Americans in need, while using taxpayer money more wisely and reforming several HUD programs.

Over the past five years, HUD has successfully implemented the President's agenda to spur on economic and community development by promoting homeownership, particularly among the lowest-income Americans; increased access to affordable rental housing, while combating all forms of discriminatory housing practices; and made a commitment to focus community development dollars better on those most in need by increasing local control. At the same time, HUD has improved the operational efficiency of the Department. The President's FY 2007 Budget request will allow the Department to build upon those successes by advancing the core mission given to HUD by Congress.

**How HUD Will Promote Economic and Community Development Through Homeownership:**

The President's vision for an ownership society correctly focuses on the reality that the ownership of private property helps human beings prosper. There is ample evidence to prove the President's assertion that ownership promotes financial independence, the accumulation of wealth, and healthier communities. Chief among the things a person can own is his own home.

Under President Bush's leadership, this administration has achieved new records in the rate of homeownership. Today, nearly 70 percent of the nation and more than 51 percent of minorities own their homes. Despite achieving the highest homeownership rate in American history, minorities remain less likely than non-Hispanic whites to own their homes. To close this gap, President Bush challenged the nation to create 5.5 million minority homeowners by the end of the decade, and to date 2.6 million minority families have joined the ranks of homeowners. While President Bush is pleased with the progress made, there is more to be done.

The President's proposed budget will help HUD to further that mission by transforming the Federal Housing Administration (FHA) so that it can expand homeownership opportunities for low- and moderate-income families; spur Fannie Mae and Freddie Mac to lead the market to create more affordable homeownership opportunities; help more of the lowest-income Americans make a downpayment through the HOME Investment Partnerships program (HOME) and the American Dream Downpayment Initiative (ADDI); transition more Americans from HUD assisted rental housing to homeownership through the Homeownership Voucher program; and, through our rapidly-growing partnership with faith-based and community organizations, increase the level of housing counseling that has been so useful in helping families prepare for homeownership, avoid predatory lending practices, and avoid default on their homes.

*FHA Product Transformation:* HUD proposes to amend the National Housing Act, which was created in 1934 to create the FHA and its mortgage insurance programs. The National Housing

Act has not been updated in over 70 years. Existing statutory requirements prevent FHA from updating its products; this lack of flexibility has allowed a resurgence of high-cost loans similar to those that predominated in 1934, such as interest-only and short-term balloon loans.

The original purpose of the National Housing Act was to encourage lenders to offer loans that were less risky for consumers. If Congress will enact changes to the National Housing Act to allow FHA flexibility to offer insurance for loans of different term, cash requirement, and amortization, then FHA could make it possible for additional buyers to enter the market, thus aiding both consumers and the lending industry. This is a top legislative priority for me this year and I look forward to working with Congress to see it enacted.

*Using HOME and ADDI to Help More Low-income Families Own Their Own Homes:* For many low-income Americans, the single greatest obstacle to homeownership is the cash requirement for downpayment and closing costs.

The HOME Investment Partnerships program, the largest Federal block grant program of its kind, completed nearly 72,000 units of affordable housing in 2005, often in partnership with nonprofits, states, and local governments. The Administration proposes to increase the HOME program to \$1.9 billion in 2007. Each HOME dollar allocated typically attracts \$3.60 from private sector investments.

Within the HOME allocation, ADDI funds have assisted 13,845 families to become first-time homebuyers, at an average subsidy amount of \$7,431. More than 47 percent of those assisted are minority homeowners. We have requested \$100 million for FY 2007 to further enhance homeownership in America through ADDI.

*Homeownership Voucher Program:* I am very proud to report that during this program's first four years, over 5,000 low-income families have been moved from the Section 8 rental program rolls into the ranks of homeownership. By the end of FY 2007, the program will provide homeownership opportunities for approximately 8,000 families.

*Counseling Our way to Greater Homeownership:* Housing counseling is an extremely important tool to help Americans purchase and keep their homes. The FY 2007 Budget proposes \$45 million for housing counseling in order to prepare families for homeownership, help them avoid predatory lending practices, and help current homeowners avoid default. In partnership with faith-based and community organizations, HUD will assist approximately 600,000 families to become homeowners or avoid foreclosure in FY 2007. More than ever, potential homebuyers need assistance to make smart homeownership choices. Housing counseling is the most cost-effective way to educate individuals and arm them with the knowledge to make informed financial choices and avoid high risk, high cost loans, and possible default and foreclosure.

#### **How HUD Will Increase Access to Affordable Housing:**

While homeownership is one of President Bush's top priorities, the President realizes that it is not a viable option for everyone. The largest component of HUD's budget promotes decent, safe,

and affordable housing for families and individuals who may not want to become homeowners or who may not yet be ready to purchase a home.

*Promoting Local Control and Flexibility—Section 8:* HUD's Housing Choice Voucher program is HUD's largest program at \$16 billion annually. The program provides approximately two million low-income families with subsidies that help them obtain decent, safe, sanitary, and affordable homes.

In response to unsustainable cost increases, Congress recently converted the previous "unit-based" allocation system to a "dollar-based" system. This made sense, but for the dollar-based system to work effectively, program requirements need to be simplified, and Public Housing Authorities (PHAs) need to be given greater flexibility.

The State and Local Housing Flexibility Act (SLHFA) introduced last year in both the House and the Senate would, among other things, give PHAs the flexibility to serve more people and better address local needs. If Congress passes SLHFA, local PHAs will be able to design their own tenant rent policies, and, in turn, they can reduce the number of erroneous payments, use their dollars more flexibly, and create incentives to work. I would like to thank Rep. Gary Miller for introducing H.R. 1999, and also thank Rep. Tom Feeney, Rep. Katherine Harris, and Rep. Rick Renzi for cosponsoring the bill.

The Administration's plan will eliminate many of the complex forms that are currently required to comply with program rules—saving both time and money. Furthermore, the Administration's proposal will result in benefits and rewards for a PHA's decision to utilize good management. Enactment of this bill is one of my top priorities this year, and I stand ready to work closely with this Committee and the Congress to make that happen.

*Making Improvements to Public Housing:* For FY 2007, the Department will continue its efforts to improve public housing by moving toward project-based management, and mandating financial accountability. Project-based management will provide the information on individual properties, allowing managers to compare high and low cost properties and intervene as necessary.

*Public Housing's Capital Fund Financing Program:* The Department continues its successful implementation of the Public Housing Capital Fund Financing Program. This program allows PHAs to borrow from banks or issue bonds using future Capital Fund grants as collateral or debt service, subject to annual appropriations. In this way, PHAs are able to leverage the Capital Funds to make improvements. The President's FY 2007 budget request includes \$2.2 billion for the Capital Fund, which will cover the accrual needs of PHAs. The President's budget holds the Operating Subsidy funds level at \$3.6 billion.

*Implementation of Harvard Cost Study:* In 1998, Congress directed HUD to undertake the Harvard Cost Study, a review of public housing costs analyzing how PHAs manage their units. The Department will continue its scheduled implementation of the congressionally mandated formula for allocating subsidies for public housing operations, and will implement the formula by FY 2007. The proposed State and Local Housing Flexibility Act would help PHAs'

administration of public housing through its flexibility and simplification of tenant rent policies. The implementation will include transitioning the management of public housing to an asset-based model similar to how private sector multifamily housing is managed. Project based accounting is scheduled to be implemented in FY 2007, and asset based management by FY 2011.

*Management Accountability of Public Housing:* The Department continues to place great emphasis on the physical condition of public housing properties, and the financial status and management capabilities of PHAs. The Department will continue providing technical assistance to PHAs and rating the effectiveness of PHAs through the Public Housing Assessment System (PHAS). PHAs with consistently failing scores may be subject to an administrative or judicial receivership. The Department will continue to utilize other tools such as Cooperative Endeavor Agreements with local officials, Memoranda of Agreements, and increased oversight, in order to correct long-standing deficiencies with PHAs. Over the past five years, the physical condition of public housing units has improved significantly.

*America's Affordable Communities Initiative:* Unnecessary, excessive or exclusionary Federal, state, and local regulations severely limit housing affordability by increasing costs as much as 35 percent. They also limit the ability of housing providers to build affordable multifamily housing and perform cost-effective housing rehabilitation. The Department believes that regulatory barrier removal must be an essential component of any national housing strategy to address the needs of low- and moderate-income families, and is committed to working with states and local communities to do so. The Department established "America's Affordable Communities Initiative: Bringing Homes Within Reach through Regulatory Reform" in FY 2003. This has encouraged efforts at the local level to review and reform regulatory barriers and other impediments to expanding housing affordability.

Through the Regulatory Barriers Clearinghouse, the Department maintains and disseminates important information to local governments and housing providers about regulatory barriers and new strategies developed by other communities. All proposed HUD rules, regulations, notices, and mortgagee letters are now carefully reviewed to ensure they enhance rather than restrict housing affordability.

*Indian Housing Loan Guarantee Fund:* The U.S. Government holds much of the land in Indian country in trust. Land held in trust for a tribe cannot be mortgaged, and land held in trust for an individual must receive Federal approval before a lien is placed on the property. As a result, Native Americans historically have had limited access to private mortgage capital. The Section 184 program addresses this lack of mortgage capital in Indian country by authorizing HUD to guarantee loans made by private lenders to Native Americans. The President's budget proposes \$251 million in Section 184 loan guarantees for homeownership in tribal areas, which represents a more than 100 percent increase over FY 2006.

*Elderly and Persons with Disabilities:* The FY 2007 Budget proposes funding for approximately 3,000 additional housing units for the elderly and persons with disabilities. While still expanding the program, the budget reflects a decrease in the rate of growth from the 2006 level, where over 7,000 new units were funded. This decrease recognizes that there are already a large number of

projects in the pipeline. Importantly, however, all expiring rental assistance contracts are being renewed, and amendment funds are available for qualifying increased costs of construction projects already in the pipeline. Funds will also be available to provide supportive services through the Service Coordinator Program and for the conversion of existing elderly housing projects through the Assisted Living Conversion Program. Funds are also available to support the existing Mainstream Voucher Program fully.

HUD has constructed almost 27,000 units specifically for persons with disabilities. Including the funding for FY 2005, HUD has 314 projects in varying stages of development in the construction pipeline.

HUD has constructed almost 400,000 units specifically for the elderly. Including the funding for FY 2005, HUD has 342 projects (about \$1.6 billion) in varying stages of development in the construction pipeline. Moreover, HUD serves an additional 675,000 elderly families under other HUD rental assistance programs such as Section 8 and Public Housing.

*Housing for Ex-offenders Returning to Society:* Every year, more than 600,000 inmates complete their sentences and are returned to the community. Approximately two-thirds of prisoners are re-arrested within three years of their release and nearly half of them return to prison during that same period. Individuals released from prison face significant barriers upon re-entering their communities, such as lack of job skills and housing. To confront this problem, the President proposed a four-year Prisoner Re-entry Initiative in his 2004 State of the Union address, designed to harness the experience of faith-based and community organizations to help individuals leaving prison make a successful transition to community life and long-term employment. The President's 2007 Budget provides a total of \$59 million for the Prisoner Re-entry Initiative, including \$24.8 million in the HUD request for housing needs for this population.

*Youthbuild:* The President's 2007 Budget again calls for the transfer of the Youthbuild program, which supports competitive grants to train disadvantaged youth, from the HUD to the Department of Labor (DOL), as recommended by the White House Task Force for Disadvantaged Youth. On July 22, 2005, the Secretaries of Labor and HUD jointly transmitted legislation to the Congress to accomplish this transfer. Shifting this program to DOL will promote greater coordination of the program with Job Corps and the other employment and training programs the Department of Labor oversees.

*Housing Opportunities for Persons With AIDS (HOPWA):* The HOPWA program provides formula grants to states and localities for housing assistance for low-income persons living with HIV/AIDS. The program helps maintain stable housing arrangements that improve access to health care and other needed support. The program also provides competitive grants to government agencies and nonprofit organizations. In FY 2007, the President is proposing an increase in HOPWA funding to \$300 million, which will support an estimated 28 competitive grants and will provide formula funding to an estimated 124 jurisdictions. These resources will provide housing assistance to an estimated 75,025 households. In addition, the FY 2007 Budget request includes a proposal that would allow HUD to change the formula so that the distribution of funds is more equitable because it recognizes housing cost differences across the country.



**How HUD Will Reform Community Development:**

A key component of HUD's strategic goals is to strengthen communities, ensuring better places to live, work, and raise a family. HUD is committed to producing a better means of measuring the performance of community development efforts, specifically within the Community Development Block Grant program. Allocating these funds more efficiently will help further reinvigorate our communities.

*Laying the Groundwork for Reform of CDBG, Focusing Block Grants According to Unmet Needs:* The Community Development Block Grant (CDBG) program serves low- and moderate-income families in cities and urban counties, states, and insular areas across the United States through a variety of housing, community, and economic development activities. The FY 2007 Budget proposes to reform the CDBG program to contribute more effectively to local community and economic progress. Formula changes will be proposed to direct more of the program's base funding to communities that cannot meet their own needs; bonus funds will reward communities that demonstrate the greatest progress in expanding opportunity for their residents. Other Federal programs that support local development will operate in coordination with CDBG within a new, broader framework of clear goals, crosscutting performance indicators, and common standards for awarding of bonus funding and measuring community progress. HUD programs that duplicate the purposes of CDBG—Brownfields Redevelopment, Rural Housing and Economic Development, and Section 108 Loan Guarantees—will be consolidated within CDBG as part of this reform. This is another top legislative priority for me, and I look forward to working closely with you to achieve it.

*Block Grants for Native American Communities:* The needs of this country's Native American population continue to be addressed through HUD's programs. The FY 2007 Budget proposes to increase the funding of the Native American Housing Block Grant program to \$626 million.

*Healthy Homes and Lead Hazard Control:* Today, the Department estimates that 26 million fewer homes have lead-based paint compared to 1990 when the program began. Ten years ago, there was no federal funding for local lead hazard control work in privately owned housing; today, the HUD program is active in over 250 jurisdictions across the country. The President is proposing \$115 million for this program.

*Faith-Based and Community Initiative:* HUD continues its successful efforts to increase participation by faith-based and community organizations (FBCOs) in HUD programs. Due to a variety of efforts, more faith-based and other community organizations are extending their reach when helping society's most vulnerable citizens. The Center continues to provide outreach and technical assistance to FBCOs, through its grant writing workshops, its Unlocking Doors Affordable Housing initiative, and other outreach efforts. I am proud to report that the Center's outreach and technical assistance efforts have helped all groups compete on a level playing field for HUD assistance, regardless of whether they are faith-based or secular. According to the White House's 2004 data collection numbers, Faith-based organizations have successfully

competed for and won 23.3% of eligible HUD funding—a higher percentage than in any other department of the Federal Government.

**How HUD Will Combat Homelessness:**

In addition to pursuing other agency goals, HUD remains committed to the goal of ending chronic homelessness. The chronically homeless live in shelters or on the streets for long periods, often suffering from mental illness or substance abuse problems, and absorb a disproportionately large amount of social and medical services and expenditures. The FY 2007 Budget proposal includes an increase to \$1.5 billion from \$1.3 billion in 2006 for Homeless Assistance. This increase supports the Administration's long-term goal of ending chronic homelessness by dedicating up to \$200 million for the Samaritan Initiative that bolsters communities' efforts to produce supportive housing for the chronically homeless. Through the Continuum of Care grant competition, HUD has aggressively pursued policies to move all homeless families and individuals into permanent housing. This overall funding level in 2007 will house 160,000 individuals and families through this program.

This year, in addition, I am pleased to chair the U.S. Interagency Council on Homelessness, where the federal agencies are working together toward this goal.

The Administration again proposes to consolidate HUD's three Homeless Assistance Grants programs into one simplified program that will give local communities greater control to direct these funds to their priority needs.

**How HUD Will Continue to Fight Housing Discrimination:**

The Bush Administration is committed to vigorous enforcement of fair housing laws, in order to ensure that equal access to housing is available to every American. Fair housing enforcement activities are pivotal in achieving the Administration's goal to increase minority homeownership by 5.5 million by 2010. For 2007, the President's budget proposes approximately \$45 million to support Fair Housing and Equal Opportunity activities to help ensure that Americans have equal access to housing of their choice. These activities include education and outreach, as well as administrative and enforcement efforts by state and local agencies and nonprofit fair housing organizations. Additionally, the requested amount would support the Department's ongoing efforts to address fair housing concerns in areas affected by Hurricanes Katrina and Rita. The efforts would include bilingual public service announcements, printed advertisements, and training events. The Department would provide technical assistance to builders, architects, and housing providers on accessibility requirements through Accessibility FIRST to ensure that newly constructed housing units are accessible to persons with disabilities.

**How HUD Will Increase its Operational Efficiency:**

HUD made significant strides in financial management this year. We are particularly proud of our achievements in:

*Financial Performance:* Successfully accelerating the close of our operational books and audit of our financial records within 45 days of the end of the FY, HUD earned an unqualified audit opinion on its 2004 and 2005 financial statements, giving the Department an unqualified or clean audit opinion on its financial statements for the past six consecutive FYs. The financial auditors also determined that HUD made significant progress in strengthening internal controls. The auditor downgraded two long-standing material weaknesses—one dating from 1990.

Continuing progress on the implementation of the final phases of the FHA Subsidiary Ledger Project contributed to HUD's ability to accelerate the preparation of auditable financial statements, and eliminate longstanding material internal control and financial systems weaknesses. HUD will complete the FHA Subsidiary Ledger Project in FY 2007 and continue to pursue its goal for modernizing the Department's core financial system by FY 2008, through the HUD Integrated Financial Management Improvement Project.

*Electronic Government:* HUD continues its E-Government transformation in order to meet public expectations and government performance mandates by: Increasing access to information and services using the Internet; eliminating duplicative and redundant systems by leveraging and integrating with existing Federal-wide services; acquiring or developing systems within expected costs and schedules that can be shared and used to simplify business processes; ensuring the protection of personal data; and providing increased security to guard against intrusion and improve reliability. HUD has executed plans to improve its information technology capital planning, project management, and security environment, along with modernizing HUD's IT systems infrastructure. HUD's future focus will be on modernizing its core financial systems applications and business systems applications in its largest program areas—rental housing assistance, single-family housing mortgage insurance, and discretionary grants, as well as establishing integration from our procurement data system to the Federal Procurement Data System (FPDS). In 2005, HUD successfully implemented two new systems: (1) a Human Capital support system and (2) a cross-match system with HHS to assist PHAs in verifying tenant incomes to assure eligibility for the program and accuracy in computing tenant rent contributions.

*Eliminating Improper Payments:* HUD has reduced its gross annual improper rental assistance payments by 61 percent since 2000. In 2003, improper payments were reduced to \$1.6 billion from the 2000 level of \$3.2 billion. In 2004, improper payments were further reduced to \$1.25 billion. In October 2005, HUD provided local PHAs with an electronic tool to verify tenants' income with the Department of Health and Human Services' National Directory of New Hires. This new tool will further improve the accuracy of eligibility determination for the rental assistance program and the proper calculation of the tenant's portion of the rent and the amount of Federal subsidy to be allocated. While the estimated improper rental housing assistance payments in FY 2004 were substantially reduced from prior year estimates, they still represented 5.6 percent of total program payments. Through continuous corrective actions, HUD's goal is to reduce that improper payment rate to 3 percent of total payments during FY 2007.

**In Conclusion, Mr. Chairman:**

The President's proposed FY 2007 Budget makes good progress toward successfully realigning Federal government priorities according to our nation's current needs. The HUD portion of that budget will help promote economic and community development through increased opportunities for homeownership and affordable rental housing, free from discrimination; it will also lay the groundwork for reform by focusing community development funding more carefully toward those most in need; and it will enable HUD to continue along the path to greater Departmental efficiency and effectiveness.

I thank you for the opportunity to articulate the President's FY 2007 agenda for HUD. This is a good budget, Mr. Chairman, and I respectfully urge the Congress to adopt it. I am now available to answer any questions that you or other Members may have.



**Public Housing Authorities Directors Association**

511 Capital Court, NE, Washington, DC 20002-4937  
 phone: 202-546-5445 fax: 202-546-2280 [www.phada.org](http://www.phada.org)

April 3, 2006

Honorable Alphonso Jackson  
 Secretary  
 U.S. Department of Housing  
 & Urban Development  
 451 7 Street SW  
 Room 10000  
 Washington, D.C. 20410

Dear Mr. Secretary:

I am compelled to write on behalf of PHADA's 1,900 members to express the association's profound disappointment with some of your comments during a recent U.S. House of Representatives' committee hearing. Indeed, scores of housing professionals, commissioners and residents have contacted me and our Washington office to express their dismay, urging PHADA to strongly object to part of your testimony.

During the House Financial Services Committee's March 30 hearing, in response to an inquiry about the number of ineligible Section 8 voucher holders now residing in assisted housing, you stated, *"PHAs are not doing what they should be doing to purge their rolls and getting families off the program. I was a housing authority director at three PHAs. I know the caliber of people running the housing authorities and they are not doing their job."*

These generalizations are troubling for many reasons. First, they undermine political support for housing programs, leaving an impression that housing professionals and residents are complicit in an effort to deceive the federal government and U.S. taxpayers. In addition to disparaging housing professionals, the comments impugn low-income elderly, disabled, and family residents. We have over 20 years of data at the St. Paul PHA that confirm that residents in public and assisted housing stay on average six years. Most if not all families are working hard to move up and out. Most elderly and individuals with disabilities deserve a permanent affordable place to call home. Even so, this group also stays on average six years, generally due to hospitalization or other reasons. This data tracks well with national averages, in spite of the fact that the number of poor households in America has grown and that more people are severely rent burdened (paying more than 50% of their incomes for rent) than a few years ago.

Second, PHADA questions the accuracy of your assertion that 18-20 percent of current voucher holders are ineligible. In fact, by closely collaborating the last few years, the Department, the HUD Inspector General and public housing agencies have made great strides reducing fraud and abuse in assisted housing programs. HUD noted this progress in its FY 2007 Budget Summary, pointing out that improper payments have been reduced by 61 percent over a five year period. More progress is needed and like HUD, PHADA is strongly committed to weeding out fraud to ensure that housing assistance goes to eligible families. If HUD has other data to support these "blame the tenant" generalizations, then it should produce it.

Because our members take great pride in their service, it is disturbing for them to hear the President's closest housing advisor so publicly questioning their professionalism. As a former practitioner in the field, you know firsthand the many challenges that executive directors regularly confront. These challenges have become even more pronounced as the Bush Administration and Congress have imposed \$1.5 billion in cuts on public housing programs over the last five years. These budget cuts, along with reductions proposed in the Department's 2007 budget, imperil the very future of the institutions our members administer. Nevertheless, they remain committed to service, doing an excellent job under difficult circumstances. For example, PHA executive directors and Boards of Commissioners have had to "invent" complex local solutions to the public housing and voucher program funding shortfalls of the past several years. When our PHA faced a \$3 million funding shortfall (10% of our voucher program budget) in 2004 we had to craft a solution without the help of your office. We did so without canceling one voucher in use, but the inflexible program rules and "bad" money required us to "shelve" many vouchers.

During your tenure with HUD, you have been very accessible to PHADA. While we have not always agreed on budget matters and some housing policies, our working relationship has consisted of mutual respect and candor. We have appreciated your commitment to securing more latitude for housing administrators through the enactment of rent reform and other measures designed to provide more local flexibility. Indeed, your March 30 comments are perplexing since they are so inconsistent with your overall approach when you were a housing director and now HUD Secretary. Why would you seek, for example, to provide greater discretion and authority to local administrators if HUD harbors such serious reservations about their "caliber?"

PHADA's members hope the aforementioned remarks were not reflective of your true convictions, but rather the byproduct of frustration that arose during a sometimes-contentious three-hour public hearing. We want to continue working with you and other HUD officials in the pursuit of our mutual objectives. Still, we object to your comments in the strongest possible terms. Please do not hesitate to contact me at (651) 298-5664 if you would like to discuss this matter.

Sincerely,

/S/

Jon Gutzmann  
PHADA President

cc: Honorable Orlando Cabrera, Assistant Secretary for PIH  
Members of the U.S. House of Representatives Financial Services Committee  
PHADA Board of Trustees



U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410-0001

THE SECRETARY

March 22, 2004

Dr. John Graham  
Administrator  
Office of Information and  
Regulatory Affairs  
Office of Management and Budget  
725 17<sup>th</sup> Street, N.W.  
Washington, DC 20503

Re: RESPA Final Rule (RIN 2502-AH85)

Dear Dr. Graham:

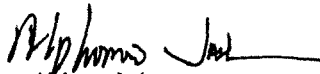
The Administration is strongly committed to efforts to simplify, improve, and lower costs associated with obtaining home mortgages. However, due to the significant number of questions raised about the draft final RESPA rule referenced above, I write today to advise the Office of Management and Budget (OMB) that the U.S. Department of Housing and Urban Development (HUD) has decided to withdraw the above referenced rule from OMB review.

Since I began my tenure as Acting Secretary, I have heard from a number of members of Congress, on a bipartisan basis, who voiced concerns about not receiving the benefit of a full briefing of the RESPA rule before HUD sent it to OMB. In addition, I have heard from key members of a number of consumer and industry groups who have expressed concerns that echo those of Congress.

Based upon the concerns noted above, I believe that it would be prudent for HUD to reexamine the RESPA rule before it is made final. I plan to revise the rule, if necessary, and to re-propose the rule, requesting additional comments, after I have had an opportunity to brief members of Congress and to meet with affected consumer and industry groups. After the rule has had a complete vetting, I will send it back to OMB for review.

I appreciate the dedication of you and your staff in assisting HUD with the development of this important rule. If you have any comments that you believe would be helpful to HUD as it continues to review and analyze this important rule, feel free to share them with me.

Sincerely,

  
Aphonso Jackson  
Acting Secretary



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

ADMINISTRATOR  
OFFICE OF  
INFORMATION AND

March 22, 2004

The Honorable Alphonso Jackson  
Acting Secretary  
Department of Housing and Urban Development  
451 7<sup>th</sup> Street, S.W.  
Washington, D.C. 20410

Dear Mr. Jackson:

Thank you for your letter providing notice that the Department of Housing and Urban Development (HUD) is withdrawing from Office of Management and Budget (OMB) review a draft final rule titled "Real Estate Settlement Procedures Act (RESPA) – Improving the Process for Obtaining Mortgages". This rule, submitted to OMB on December 16, 2003, would increase competition and inform consumer choice by making changes to the settlement procedures covered by RESPA.

OMB had not yet completed its review when it received HUD's notice of withdrawal, but we had made enough progress in our review to identify some specific issues that HUD may want to consider. We believe the RESPA reforms are promising, but agree that the rule would benefit from additional consideration. At the proposal stage, we sent HUD a post-review letter highlighting aspects of the rule that required additional analysis. HUD has substantially improved its analysis, but more work is still needed. Specifically:

**Forms:** HUD has improved the Good Faith Estimate (GFE) forms, but a recent study by the Federal Trade Commission (FTC) based on early drafts of the forms, concluded that the forms could produce unintended consequences. We understand that HUD undertook additional consumer testing as a result of the FTC findings. OMB urges HUD to ensure that the final forms enhance consumer comprehension without creating biases in consumer reaction to the disclosure of the yield spread premium.

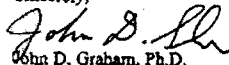
**Regulatory Flexibility Analysis and Regulatory Impact Analysis:** HUD submitted a significantly improved discussion of the draft regulation's impact on industry and small business. HUD's analysis concluded that the rule would lead to significant consumer savings on mortgage transactions. The prospect that the rule may also stimulate new businesses and jobs merits more consideration. We look forward to working with HUD to further refine its analyses of the rule's impact on specific origination and settlement service industries.

**Preemption:** A host of state anti-tying, anti-affiliation and mini-RESPA laws could present significant obstacles to packaging, stifle competition, and diminish consumer savings. We believe HUD should examine the various State laws on the books and consider whether Federal preemption is needed to ensure that consumers receive the full benefits intended by this rule.

**Packaging:** In light of the extensive comments received, HUD should expand its analysis of how various packaging alternatives facilitate comparative shopping and consumer savings. This analysis should also evaluate the ability of various entities to offer packages.

We appreciate your consideration of our views. OMB looks forward to working with your staff to reform RESPA and make the home buying process simpler, more transparent, and less costly.

Sincerely,

  
John D. Graham, Ph.D.



Congress of the United States  
Washington, DC 20515

March 4, 2004

Honorable Joshua B. Bolten  
Director  
Office of Management and Budget  
Eisenhower Executive Office Building  
Room 252  
Washington, DC 20503

Dear Director Bolten:

We are writing to express our concerns about a final rule submitted to the Office of Management and Budget by the Department of Housing and Urban Development (HUD) that significantly change the Real Estate Settlement Procedures Act (RESPA). While we are supportive of efforts to simplify and improve mortgage transactions for consumers, we are writing to urge you to reject this rule as final and return it to HUD with instructions to issue a revised proposed rule and seek additional public comment.

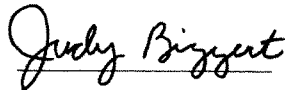
This rule, initially proposed by HUD over a year ago, would radically change the mortgage marketplace for consumers and industry. As evidenced by the tens of thousands of letters HUD received during the comment period and testimony heard at three congressional hearings, this rule has met significant opposition from consumer advocates, affected industries, and Congress. Many commented that the proposed rule would lead to the loss of important RESPA consumer protections, long-term increases in mortgage costs due to decreased competition and many small businesses would not be able to compete in this new environment.

When a rule produces this much uncertainty and opposition from so many quarters, federal agencies usually respond by reconsidering their proposed actions, making changes to the proposed rule, and again soliciting public comment. However, instead of issuing a revised proposed rule and seeking additional public comment, HUD has chosen instead to finalize the rule without advocates, affected industries or Congress knowing what changes have been made. While the industry and consumer groups have not reached consensus on a viable reform measure, they are unified in their request that HUD's RESPA rule not be finalized in its present form.

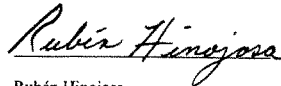
Furthermore, it is critical that we delay implementation of a rule that may negatively impact the healthiest sector of the economy-housing. The U.S. homeownership rate was 68.4% in the third quarter of 2003 -- its highest level ever. HUD said it best in the Supplementary Information Section of the July 28, 2002 proposed rule: "The American mortgage finance system is justifiably the envy of the world. It has offered unparalleled financing opportunities under virtually all economic conditions to a very wide range of borrowers that, in no small part, have led to the highest homeownership rate in the Nation's history."

Until there are assurances that any of the proposed changes will result in real benefits that far outweigh the potentially negative consequences, a final rule should not be promulgated. There is too much at stake to rush quickly to judgment on an issue of such magnitude. Therefore, we seek your assistance by asking that you return the RESPA rule to HUD with instructions to issue a revised proposal that reflects HUD's most recent reform plans and provides for an additional public comment period.

Sincerely,



Judy Biggert  
Member of Congress



Rubén Hinojosa  
Member of Congress

Spencer Brooks

Paul E. Kajanski

Ray Mills

Fred D. Lucas

Donald A. Manzullo

J. C. Hornell

Barbara Lee

Thelma L. Watt

Gregory W. Meeks

Michael Hart

Garry Dean - Lib. 6

Mark A.

Shelley Moore Capito

Pete Sessions

Paul Gillmor

Cheryl Stapp

Scott Garrett

Robt. Eramm

William J.

Steve Isaac

Walter Jones

Dan Saff

Jim Matheson

John [unclear]  
Katherine Harris

Ron Paul

Patrick T. Tierin  
R. F. Ry

Tim [unclear]

Sen Lucas

Harold [unclear]

Tom Osborne

Ch. Ch

Bob Bergman

Mike Regan (CAL)

Melvin Berkeley

Michael H. Michel

Jim [unclear]

Madeline Z. Bouie

Frank Pallone

Louis M. Staughta

Norm Dicka

Tom Peter

Jack Quinn

Earl Blumenau

Robert C. And

Maurice Hindley

Bob Fuller

Jim Ryan

Art Lewis

Tim Halden

Charlie Stender

John T. Doherty

James Harman

Phil Jackson

Richard Hagan

Tom Davis

Randy Lee King

Joseph M. McHugh

Ellis Smith

Ri Kille

Swi

To Bomer

Ada Belf

Archie G. Kelly

Timi Lyon

J. Saxton

R. J. Summers  
DTR

ma Eshoo

Johnston

Andu Brunsken

Er Wilson

Jim Arnes

Brad Carson

Mayfandi

Dain Vitter

John Boehner

John Shelby

Tony Balderr

Brad Sherr

Tiff  
Ron Kind

Mike Castle

David Beaul

John Snaú  
Rud B. Acuña

Raul M. Gajdva

Bob Ellis

Diego Rodriguez

Jerry Moran

James J. ...

Nick Zeman

Anna Kira

Shirley Penn

Julia Carson

Lddie Bernice Johnson

C.A. Dutch Pepper

Michael M. Honda

Tom Allen

Lane Evans

Elena Sauscher

Barbara Cullen

Phil Ginyug

Kevin Sam

[Signature]

Mark Sander

Jo Ann Davis

Tim G

Mae Cullen

Leita J. Simey

Sam Lane

Gary Well

Sam Johnson

Marsha Blackburn

D. Carl

Don Mac

Joe Baca

Jim Gittoms

John Kelli

Tom Althaus

Bill Paswell Jr.

John Laska

John Coulson

Michael Hume

Dennis J. Kuevic

Renard Bran

Lucille Royal-Allard

But Rosen

Alb Poutch

Lynn Woolsey

Tom Moran

Sherry Bockel

Pete Herbst

Tom

Hay A. Wayman

Ed Royce

Donald M. Payne

Henry Hyde

Jack Pri-

Colin C. Peterson



Peter deFazio

Dan Burton

Steve Buyer

Randy Neugebauer

Howard P. Berman

Wayne T. Gilchrest

Robert J. Matsumi

David L. Bonior

David L. Bonior

Shel

Mike Lee

Mike Frome

Tom Ivin

Russ Holt

Robert Menendez

Carolyn B. Maloney

Amiel P. Bushoff

Gregory

Kay Granger

Darlene Hooley

Steven Roth

Ken V. Gutierrez

Solomon D. Oshry

Elton Salgado

Raymond

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*Carnegie*

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# Addendum

Zelway

James Greenwood

Margie Waters

George Miller

Joe C. Senano

Lois Capps

Denise S. Majette

Tom Oball

John Terry

Todd Tichet

Peter Woodley

Joe Krolly

Wally Hagen

Ernie L. Emigh

Ken G. Eber

Grace S. Neff

John Cooper

Paul Ryan

Maui Bray

Sam Johnson

Marilyn Musgrave

Bern P. Hill

Todd R. Platts

Robert Davis

Jim Davis

Alfred R. Algren

Stephen F. Fitzgerald

Arthur Davis

Chris Bell

Bill Shuster

Ed Fomenko

Betsy McCallum

John G. ...

John E. ...

Mark Sampson

Mike Doyle

Mike ...

Joe Shadyg

Pat Toomey

Tim Murphy

Phil Crane

Jane Camp

Zoe J. J.

Carolyn McCarthy

Michelle Simpson

Fred Hopton

Ned Alencroble

Anne M. Northup

Chief Charles

John F. Timmy

Diane E. Watson

Robin Hayes

Thomas J. J.

Charles A. Pollock

Bob Connor

Jerry Keayha

J. R. Pitt

Dale E. Kistler

Jimmy P. Costello

## Page 2

Spencer Bachus (R-AL)  
 Gary G. Miller (R-CA)  
 Donald Manzullo (R-IL)  
 Barbara Lee (D-CA)  
 Gregory Meeks (D-NY)  
 Ginny Brown-Waite (R-FL)  
 Shelly Moore Capito (R-WV)  
 Paul Gillmor (R-OH)  
 Scott Garrett (R-NJ)  
 Mark Green (R-WI)

Paul Kanjorski (D-PA)  
 Frank Lucas (R-OK)  
 Steve LaTourette (R-OH)  
 Melvin Watt (D-NC)  
 Melissa Hart (R-PA)  
 Gresham Barrett (R-SC)  
 Pete Sessions (R-TX)  
 Christopher Shays (R-CN)  
 Rahm Emanuel (D-IL)  
 Steve Israel (D-NY)

## Page 3

Walter Jones (R-NC)  
 Jim Matheson (D-UT)  
 Ron Paul (R-TX)  
 Patrick Tiberi (R-OH)  
 Rick Renzi (R-AZ)  
 Harold Ford (D-TN)  
 Chris Chocola (R-IN)  
 Mike Rogers (R-AL)  
 Michael Michaud (D-MA)  
 Madelaine Bordello (D-GU)

David Scott (D-GA)  
 Joseph Crowley (D-NY)  
 Katherine Harris (R-FL)  
 Doug Ose (R-CA)  
 Ken Lucas (D-KY)  
 Tom Osborne (R-NE)  
 Bob Beauprez (R-CO)  
 Shelly Berkley (D-NV)  
 Jim McGovern (D-MA)  
 Frank Pallone Jr. (D-NJ)

## Page 4

Louise Slaughter (D-NY)  
 Tom Petri (R-WI)  
 Earl Blumenauer (D-OR)  
 Maurice Hinchey (D-NY)  
 Jim Ryun (R-KS)  
 Tim Holden (D-PA)  
 John Doolittle (D-CA)  
 Sheila Jackson-Lee (D-TX)  
 Tom Davis (R-VA)  
 John McHugh (R-NY)

Norm Dicks (D-WA)  
 Jack Quinn (R-NY)  
 Robert Andrews (D-NJ)  
 Bob Filner (D-CA)  
 Ron Lewis (R-KY)  
 Charlie Stenholm (D-TX)  
 Jane Harman (D-CA)  
 David Hobson (R-OH)  
 Randy "Duke" Cunningham (R-CA)  
 Chris Smith (R-NJ)

## Page 5

Ric Keller (R-FL)  
 Jo Bonner (R-AL)  
 Charlie Gonzalez (D-TX)  
 Jim Saxton (R-NJ)  
 Anna Eshoo (D-CA)  
 Ander Crenshaw (R-FL)  
 Jay Inslee (D-WA)  
 Max Sandlin (D-TX)  
 John Boehner (R-OH)  
 Tammy Baldwin (R-WI)

Scott McInnis (R-CO)  
 Adam Schiff (D-CA)  
 Tim Ryan (D-OH)  
 Rob Simmons (R-CN)  
 Johnny Isackson (R-GA)  
 Joe Wilson (R-SC)  
 Brad Carson (D-OK)  
 David Vitter (R-LA)  
 Jan Schakowsky (D-IL)  
 Brad Sherman (D-CA)



## Page 6

Tim Johnson (R-IL)	Mike Castle (R-DE)
Ron Kind (D-WI)	John Spratt (D-SC)
Leonard Boswell (D-IA)	Robert Aderholt (R-AL)
Raul Grijalva (D-AZ)	Brad Miller (D-NC)
Ciro Rodrigex (D-TX)	Jerry Moran (R-KS)
Juanita Millender-McDonald (D-CA)	Rick Larsen (D-WA)
Mark Kirk (R-IL)	Mike Pence (R-IN)
Julia Carson (D-IN)	Eddie Bernice Johnson (D-TX)
C.A. Dutch Ruppersberger (D-MD)	Michael Honda (D-CA)
Tom Allen (D-ME)	Lane Evans (D-IL)

## Page 7

Ellen Tauscher (D-CA)	Barbara Cubin (R-WY)
Phil Gingrey (R-GA)	Xavier Becerra (D-CA)
Anthony Weiner (D-NY)	Mark Souder (R-IN)
Jo Ann Davis (R-VA)	Tim Bishop (D-NY)
Mac Collins (R-GA)	Linda Sanchez (D-CA)
Sam Farr (D-CA)	Jerry Weller (R-IL)
Sam Johnson (R-TX)	Marsha Blackburn (R-TN)
Dennis Cardoza (D-CA)	Dennis Moore (D-KS)
Joe Baca (D-CA)	Jim Gibbons (R-NV)
John Sullivan (R-OK)	Bob Etheridge (D-NC)

## Page 8

Bill Pascrell (D-NJ)	John Linder (R-GA)
John Culberson (R-TX)	Michael Turner (R-OH)
Dennis Kucinich (D-OH)	Sherrod Brown (D-OH)
Lucille Roybal-Allard (D-CA)	Bart Gordon (D-TN)
Peter Deutsch (D-FL)	Lynn Woolsey (D-CA)
Jim Moran (D-VA)	Sherwood Boehlert (R-NY)
Peter Hoekstra (R-MI)	Edolphus Towns (D-NY)
Henry Waxman (D-CA)	Ed Royce (R-CA)
Donald Payne (D-NJ)	Henry Hyde (R-IL)
David Price (D-NC)	Collin C. Peterson (D-MN)

## Page 9

Peter Defazio (D-OR)	Gene Green (D-TX)
Dan Burton (R-IN)	Martin Frost (D-TX)
Steve Buyer (R-IN)	John Tanner (D-TN)
Randy Neugebauer (R-TX)	Rush Holt (D-NJ)
Howard Berman (D-CA)	Robert Menendez (D-NJ)
Wayne Gilchrest (R-MD)	Carolyn Maloney (D-NY)
Robert Matsui (D-CA)	Sanford D. Bishop (D-GA)
John Mica (R-FL)	Steny Hoyer (D-MD)
David Dreier (R-CA)	Kay Granger (R-TX)
Chris John (D-LA)	Darlene Hooley (D-OR)

## Page 10

Steve Rothman (D-NJ)	Luis Guterrez (R-IL)
Solomon Ortiz (D-TX)	Elton Gallegly (R-CA)
Ray Lahood (R-IL)	

## Page 11

Barney Frank (D-MA)

## Page 12

Zach Wamp (R-TN)

James Greenwood (R-PA)

James Oberstar (R-MN)

Maxine Waters (D-CA)

George Miller (D-CA)

Jose Serrano (D-NY)

Lois Capps (D-CA)

Denise Majette (D-GA)

Tom Udall (D-NM)

Steve Terry (R-NE)

Todd Tiahrt (R-KS)

Peter Visclosky (D-IN)

Joe Knollenberg (R-MI)

Wally Herger (R-CA)

Eliot Engel (D-NY)

Vernon Ehlers (R-MI)

Grace Napolitano (D-CA)

Jim Cooper (D-TN)

Paul Ryan (R-WI)

Marion Berry (D-AR)

## Page 13

Sam Johnson (R-TX)

Marilyn Musgrave (R-CO)

Baron Hill (D-IN)

Todd Russell Platts (R-PA)

Lincoln Davis (D-TN)

Jim Davis (D-FL)

Albert Russell Wynn (D-MD)

Stephen Lynch (D-MA)

Artur Davis (D-AL)

Chris Bell (D-TX)

Bill Shuster (R-PA)

Earl Pomeroy (D-ND)

Betty McCollum (D-MN)

John Shimkus (R-IL)

John Sweeney (R-NY)

Nick Lampson (D-TX)

Mike Doyle (D-PA)

Mike Ross (D-AR)

John Shadegg (R-AZ)

Pat Toomey (R-PA)

## Page 14

Tim Murphy (R-PA)

Phil Crane (R-IL)

Dave Camp (R-MI)

Zoe Lofgren (D-CA)

Carolyn McCarthy (D-NY)

Mike Thompson (D-CA)

Fred Upton (R-MI)

Neil Abercrombie (D-HI)

Anne Northup (R-KY)

Chet Edwards (D-TX)

John Tierney (D-MA)

Diane Watson (D-CA)

Robin Hayes (R-NC)

Tom Reynolds (R-NY)

Thaddeus McCotter (R-MI)

Robert "Bud" Cramer, Jr. (D-AL)

Jerry Kleczka (D-WI)

Joe Pitts (R-PA)

Dale Kildee (D-MI)

Jerry Costello (D-IL)

**Congress of the United States**  
Washington, DC 20515

March 12, 2004

The Honorable Joshua B. Bolten  
Director  
Office of Management and Budget  
Eisenhower Executive Office Building  
Room 252  
Washington, DC 20503


Dear Director Bolten:

We are writing to express our concerns about significant changes that will affect the Real Estate Settlement Procedures Act (RESPA). As you are aware, a final rule was submitted to your office by the Department of Housing and Urban Development (HUD) on December 16, 2003. The final proposed rule could have severe negative implications for consumers nationwide, and we urge you to reject this proposal and return it to HUD for revision and additional public comment.

While we share HUD's goal of improving the home mortgage process, the proposal in question will need to be amended to ensure that current marketplace changes have been considered. As the housing market is the strongest sector of our economy, with homeownership rates almost reaching 70%, no final rule should be approved without an appropriate economic analysis assessing the impacts of changes to the current system. Additionally, any revisions impacting this thriving sector of our economy should be under careful consideration.

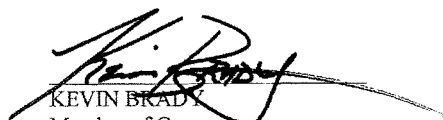
Numerous constituents and consumer groups are concerned with unknown changes to RESPA and we strongly urge you to reconsider HUD's request for a final rule making. Industry leaders and public interest groups are ready to work together with HUD in revising and developing a rule that will have lasting positive impacts and create the kind of transparent operations that consumers can rely on. We appreciate your consideration and look forward to a positive outcome on this matter.

Sincerely,

  
KEN CALVERT  
Member of Congress

  
JIM McCRERY  
Member of Congress

Director Bolten  
Page 2



KEVIN BRADY  
Member of Congress



JIM GERLACH  
Member of Congress



NICK LAMPSON  
Member of Congress

Congress of the United States

Washington, DC 20515

March 16, 2006

The Honorable Joe Knollenberg  
Chairman  
Subcommittee on Transportation  
Treasury, HUD, Judiciary, District of  
Columbia and Independent Agencies  
Committee on Appropriations  
2358 Rayburn HOB  
Washington, DC 20515

The Honorable John W. Olver  
Ranking Member  
Subcommittee on Transportation  
Treasury, HUD, Judiciary, District of  
Columbia and Independent Agencies  
Committee on Appropriations  
1016 Longworth HOB  
Washington, D.C. 20515

Dear Chairman Knollenberg and Ranking Member Olver:

We write to request that you consider funding the Housing Assistance Council (HAC) program at a minimum of \$3.5 million for Fiscal Year 2007.

As you know, the President's budget request proposes to eliminate funding for the Housing Assistance Council. HAC is the only national assistance organization devoted solely to rural housing and community development. It plays a critical role in providing affordable housing in underserved rural areas.

Created in 1971, the Housing Assistance Council offers seed-money loans, grants, training, technical aid, applied research, and information to local community groups that are building decent, safe and affordable housing in underserved rural areas. Much of HAC's work has focused on homeownership for rural families, particularly using the sweat equity, self-help approach. It has provided over \$192 million in loans and grants to community and faith-based groups in 49 states to help build almost 60,000 homes. This support has leveraged over \$1.6 billion in other funds.

HAC works throughout the rural and non-metropolitan US but also maintains a special focus on five very high-need areas: Appalachia, the Lower Mississippi Delta and Southeast, the Southwest border region, Native American areas, and migrant farmworker regions. These are areas where poverty rates and housing need are very high, development capacity is low, and conventional financing tools do not always work.

Unfortunately, the FY 2007 budget would zero out the program that plays a critical role by providing monetary assistance devoted solely to rural housing and community development. Therefore, we would request that the Housing Assistance Council receive funding at a minimum of \$3.5 million, in order to provide it with the resources it will use to improve and increase affordable housing and community development in Rural America.

Sincerely,

Rubin Hinojosa

Arturo D. ...

Benny ...

Donna K. ...

Salomon P. Ortiz

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**Congress of the United States**  
**Washington, DC 20515**

March 16<sup>th</sup>, 2006

The Honorable Joe Knollenberg  
 Chairman  
 Subcommittee on Transportation, Treasury  
 and HUD, the Judiciary, District of Columbia  
 Appropriations Committee  
 U.S. House of Representatives  
 Washington, DC 20515

The Honorable John Olver  
 Ranking Member  
 Subcommittee on Transportation, Treasury  
 and HUD, the Judiciary, District of Columbia  
 Appropriations Committee  
 U.S. House of Representatives  
 Washington, DC 20515

Dear Chairman Knollenberg and Ranking Member Olver:

We are writing to request your support for \$4.3 billion in formula funding for the Community Development Block Grant (CDBG) program in the Fiscal Year (FY) 2007 Transportation, Treasury, and HUD Appropriations bill. This important program provides our communities with the vital tools to help spur homeownership, housing rehabilitation, public improvements, public services, and economic development projects. These activities not only help individual communities, but also strengthen our nation's economy as a whole.

CDBG is one of the most effective federal domestic programs in helping to revitalize neighborhoods. Every dollar of the CDBG program invested in communities is leveraged by three dollars in private funding, bringing much-needed investment, jobs, and the chance for a fresh start to blighted communities. It is a critical funding source to more than 1,100 entitlement communities, urban counties, and states, which in turn serve more than 3,000 rural communities. In FY 2005, over 95 percent of CDBG funding went to activities principally benefiting low- and moderate-income persons. The program's housing projects provided 166,992 households with assistance including financial assistance to new homeowners and rehabilitation assistance to the elderly and existing homeowners. CDBG's economic development programs created or retained 91,287 full-time jobs and public improvement projects benefited 9,453,993 persons. CDBG also has a strong record in business retention: over 80 percent of the businesses assisted through the program were still in operation after three years.

Because of its flexibility and use in a variety of projects, local and state governments and development officials have come to rely on the program as the cornerstone of any new community revitalization effort. Just a few months ago, the Administration and Congress recognized the effectiveness of the program by delivering \$11.5 billion in targeted CDBG funding to the Gulf Coast for reconstruction activities after the 2004 hurricane season.

The CDBG formula allocation was funded at \$4.41 billion in FY 2001. Since then the formula allocation funding has decreased by \$670 million – or 15.19% – with a 5% reduction in FY 2005 and a 10% reduction in FY 2006. In light of these reductions in funding, communities have had to struggle to continue their programs and have discontinued crucial projects for low- and moderate-income persons. These reductions directly affect the local economy, as they translate into reduced private investment that is fueled by CDBG funding.

While we recognize that the Subcommittee will face difficult decisions when allocating resources, we believe, at a minimum, \$4.3 billion in CDBG formula funding is necessary to ensure that communities across the country can provide good jobs, safe neighborhoods, affordable housing, and public services to meet the needs of all Americans. Thank you for consideration of this request.

Sincerely,

~~Jim~~ Simmons

Patrick Hagler

~~Tom~~ Tom

Alvin

Bob Elliott

Sally More Caputo

Jim Moran

Chap

Bill Shuster

John Braun

Bill Pascrell Jr

Lois Capps

Danny K. Davis

Michael Caputo

Raul M. Grijalva

Leahy

William L. Fisher

Tom Lillo

Jim Hahn

Jim McDermott



Cale E. Childs

Sleena Ros-Lekkinen

Frank Foster

Henry O. Wetmore

Jim Saxton  
Chaka Fattah

Mary K. Owens

Allen A. ...

Casslyn B. Maloney

Brad D. Hoas

Kevin V. Gutierrez

Marion ...

David Lurie

Dick Boucher

Nancy S. ...

Fane E. Van

Jim Moran

Judi ...

H. ...

Eric O. Matsui

Arnold Nadler

Jim ...

Rubin ...

...

Paul Rosenman  
Calvin

Louise M. Slaghter  
Jeff Davis

Jim Parnest

Louise McCarty  
Jane Camp

James Langevin

Chip Pickering

Albert K. Linn

Mike Doyle

Jim Davis

William J. Schwartz

Charles W. Dant

Tom Osborne

Irvin McDorman

Bruce Harris

Michael H. Muehl

Joe Schum, M.D.

John F. Tierney

Richard Shee

Jane Camp

Mike McIntyre

Randy Cook

Tomy Baldwin

Alfred High

Ked Strickland

Batman

Emmellen

Jessie

Julia Carson

Chris Van Hollen

Phil English

Ron Kind

Oliver Conner

Jan Schultz

AV

Betty McCollum

Robert

M.L.T. McCall

Hugh D. 98th

Diane E. Watson

Michael M. Adams

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Bill Clinton

Lamar Smith

Alford

Michael R. McNulty

John B...

Howard Baker

Charles Blazer

Nancy Pelosi

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1. Allen, Tom
2. Baldwin, Tammy
3. Blumenauer, Earl
4. Boehlert, Sherwood
5. Boswell, Leonard
6. Boucher, Rick
7. Brown, Sherrod
8. Camp, Dave
9. Capito, Shelley Moore
10. Capps, Lois
11. Capuano, Michael
12. Carnahan, Russ
13. Carson, Julia
14. Cleaver, Emanuel
15. Conyers, John
16. Cooper, Jim
17. Costa, Jim
18. Davis, Danny
19. Davis, Geoff
20. Davis, Jim
21. Dent, Charles
22. Dingell, John
23. Doggett, Lloyd
24. Doyle, Michael
25. English, Phil
26. Etheridge, Bob
27. Evans, Lane
28. Fattah, Chaka
29. Frank, Barney
30. Graves, Sam
31. Green, Al
32. Grijalva, Raul
33. Gutierrez, Luis
34. Higgins, Brian
35. Hinchey, Maurice
36. Hinojosa, Ruben
37. Honda, Michael
38. Jenkins, William
39. Johnson, Nancy
40. Kildee, Dale
41. Kind, Ron
42. Kuhl, Randy
43. Langevin, James
44. Larson, John
45. Lee, Barbara
46. Levin, Sander

47. Lucas, Frank
48. Lynch, Stephen
49. Maloney, Carolyn
50. Matheson, Jim
51. Matsui, Doris
52. McCarthy, Carolyn
53. McCaul, Michael
54. McCollum, Betty
55. McDermott, Jim
56. McGovern, James
57. McIntyre, Mike
58. McNulty, Michael
59. Michaud, Michael
60. Millender-McDonald, Juanita
61. Moran, Jim
62. Nadler, Jerrold
63. Neal, Richard
64. Oberstar, James
65. Osborne, Tom
66. Owens, Major
67. Pascrell, Bill
68. Pelosi, Nancy
69. Peterson, Collin
70. Pickering, Charles
71. Price, David
72. Rahall, Nick
73. Ramstad, Jim
74. Rangel, Charles
75. Ros-Lehtinen, Ileana
76. Saxton, Jim
77. Schakowsky, Janice
78. Schwartz, Allyson
79. Schwarz, Joe
80. Scott, Robert
81. Shays, Christopher
82. Shuster, Bill
83. Simmons, Rob
84. Skelton, Ike
85. Slaughter, Louise
86. Smith, Lamar
87. Strickland, Ted
88. Tierney, John
89. Upton, Fred
90. Van Hollen, Chris
91. Watson, Diane
92. Waxman, Henry

- 93. Weiner, Anthony
- 94. Weldon, Curt
- 95. Wynn, Albert

**Congress of the United States**  
**Washington, DC 20515**  
March 7, 2006

Chairman Jim Nussle  
House Budget Committee  
309 Cannon House Office Building  
Washington, DC 20515

Ranking Member John M. Spratt, Jr.  
House Budget Committee  
B-71 Cannon House Office Building  
Washington, DC 20515

Dear Chairman Nussle and Ranking Member Spratt:

As you near consideration of the FY 2007 Budget Resolution, we are writing to express our opposition to proposed cuts in the FY 2007 HUD budget. In particular, we strongly oppose the budget proposal to cut the Community Development Block Grant Fund by a net \$1.502 billion – a 36 percent reduction – and within that function to cut CDBG formula funding by \$736 million – a 20 percent cut.

We appreciate the interest your committee has taken in the CDBG program as evidenced by your decision to provide \$1.1 billion more than the President's request for the Community and Regional Development budget function (450) in the House Fiscal Year 2006 Budget Resolution. This reflected bi-partisan support for CDBG and other programs in this function that were targeted for deep cuts in the FY 06 budget.

We are very concerned about the impact the proposed cut will have on the communities that have benefited from this program. The CDBG program funds homeownership, housing rehabilitation, public improvements, public services, and economic development projects in communities across the nation. CDBG also supports community based organizations and the vital work they do to deliver human services and rebuild neighborhoods. It is a vital funding source to more than 1,100 entitlement communities, urban counties, and states, which, in turn, serve more than 3,000 rural communities.

CDBG is the centerpiece of the Federal government's efforts to help states and localities meet the needs of low-income communities and is one of the most effective Federal domestic programs to revitalize communities with proven results. According to HUD, over 95 percent of FY 05 CDBG funding went to activities principally benefiting low- and moderate-income persons. In addition, CDBG housing projects assisted 166,992 households in FY 05, including financial assistance to new homeowners and rehabilitation assistance to the elderly and other existing homeowners.

The CDBG formula allocation was funded at \$4.41 billion in FY 01. Since then the formula allocation funding has decreased by \$670 million – or 15.19 percent – with a 5 percent cut in FY 05 and a 10 percent cut in FY 06. The FY 07 HUD budget would reduce the formula funding by another 20 percent, cutting the formula allocation almost in half in just three years. In light of these drastic cuts, communities have had to struggle to continue their programs and have discontinued crucial projects for low- and moderate-income persons. These cuts directly affect the local economy, as they translate into reduced private investment that is fueled by CDBG funding. The CDBG program leverages \$3 of private investment for every program dollar spent.

We urge you to provide full funding for CDBG, at a level adequate to meet the important and growing needs of our communities.

Sincerely,



Cliff Jupp  
 Phil Gray  
 Mrs. Simmons  
 J. C. Porter  
 (C. D. ...)  
 Bob B...  
 Tom Price  
 Tom O...  
 Melissa A. Hart  
 D. Dickert  
 Mike Castle  
 Vit ...

Gary Crank  
 Dale E. Wilder  
 David Price  
 Paul E. Kazanski  
 Rick Boucher  
 Sincerely  
 Fred ...  
 Percy V. Costello  
 Jim Mun  
 Gary J. Ackaman  
 Mel Watt  
 Elgin E. Jennings

Tom [unclear]  
Jeff [unclear]

Michael [unclear]

Nancy [unclear]

Jim [unclear]  
Sherry [unclear]

[unclear]  
Jim Walsh  
Chris Smith

Pro Cannon

Bob [unclear]

[unclear]

Jan Hammer  
Phelia Jackson Lee

Rubin Higgins

Bill Pasarell Jr

Joan V. Hesterman

Emercy Kaptur

Jim Oberstar  
Alfred Hartig

[unclear]

Martin Olov Sabo

Gene [unclear]

Janet [unclear]

C.A. Dutch Ruppert	Michael Sitzpatrick
Carolyn C. Kiepatnik	Jimmy K. Davis
Ellen	Ann T. Salazar
Julia Cass	Earl Tomney
Neil Abernombie	Jan J. Ma
Phil English	Chris Van Hoken
Leonard G. James	Ralva Emanuel
Raul M. Frijalva	Lolette James
Bob Carner	Daniel Lipinski
Aaron A. Davis	Jim Schindler
Billy McEllen	Brad Sherr
Ellen Tausche	Jim McQuitt

<u>Bill Dini</u>	<u>Mike Dophe</u>
<u>Patrick D. Kennedy</u>	<u>Robert R. Lofgren</u>
<u>John Ancker</u>	<u>Burt Hiers</u>
<u>Walter B. Berkley</u>	<u>Jim Cooper</u>
<u>Michael H. Bishop</u>	<u>Frank Pallone Jr</u>
<u>Melvin J. Bean</u>	<u>David Scott</u>
<u>John Lewis</u>	<u>Jim Ahlert</u>
<u>John Lewis Jr.</u>	<u>Tim Holden</u>
<u>John Luyck</u>	<u>Diane Horley</u>
<u>Samuel B. Bissop</u>	<u>Marion S. Williams</u>
<u>Earl Blumenbaum</u>	<u>Bill Delahunt</u>
<u>Louise M. Slaughter</u>	<u>Norm Dicks</u>

Cecelyn McCarthy

Jim Longwin

Steve Wasson-Smith

James E. Watson

Pete Stack

Hyd D. 99th

Arten Davis

Tiny Ryan

John Smith

Gene S. Smith

Alfred H. Hugel

Tom Bell

Nick Larsen

Ed Case

John F. Terry

Wm. Lucy Clay

Mac Udell

Anna Z. Shoo

Robert W. Wyl

John Burrow

John Burrow

Had J. J. J. J.

Mike Row

Jim Davis

<u>Paul Hill</u>	<u>Baban Lee</u>
<u>Hilde L. Solis</u>	<u>Darin Lee</u>
<u>Dennis D. Kwain</u>	<u>Jim Clyburn</u>
<u>Paul Paul</u>	<u>Ed Davis</u>
<u>Tommy G. Williams</u>	<u>Jim E. Owens</u>
<u>George Miller</u>	<u>Ben Card</u>
<u>Michael R. McHale</u>	<u>Donald McKayne</u>
<u>Edis O. Matsui</u>	<u>Martin P. Canino</u>
<u>Bart Gordon</u>	<u>Al Rubell</u>
<u>Mike Lundy</u>	<u>Carolyn B. Maloney</u>
<u>Sherrill Brown</u>	<u>Frymoyer Woodley</u>
<u>Walt Mink</u>	<u>Jim Matheson</u>

J. B. Linn  
Rust Holt

Jamy Balchri  
C. J. B. B.

Tracy J.  
Sam Farr

Judy Biggart  
Michael E. Lopez

Emanuel Cuevas  
Don C. Hall

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Stephane P. P. P.  
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J. W. Linn  
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Todd P. Platts

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Ben Chandler

Dana Platts

Grace J. Napolitano

Michael M. Monda

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**Signers to March, 7 2006 Letter to Budget Committee on CDBG**

1. *Christopher Shays*
2. Barney Frank
3. Neil Abercrombie
4. Gary Ackerman
5. Robert Andrews
6. Joseph Baca
7. Tammy Baldwin
8. John Barrow
9. Melissa Bean
10. *Bob Beauprez*
11. Xavier Becerra
12. Shelley Berkley
13. *Judy Biggert*
14. Sanford Bishop
15. Tim Bishop
16. Earl Blumenauer
17. *Sherwood Boehlert*
18. Leonard Boswell
19. Rick Boucher
20. Sherrod Brown
21. Michael Capuano
22. Ben Cardin
23. Russ Carnahan
24. Julia Carson
25. Ed Case
26. *Michael Castle*
27. Ben Chandler
28. William Lacy Clay
29. Emanuel Cleaver
30. James Clyburn
31. John Conyers
32. Jerry Costello
33. Bud Cramer
34. Joe Crowley
35. Elijah Cummings
36. Artur Davis
37. Danny Davis
38. *Geoff Davis*
39. Jim Davis
40. Lincoln Davis
41. Susan Davis
42. Diana DeGette
43. Bill Delahunt
44. *Charles Dent*

45. Norm Dicks
46. John Dingell
47. Lloyd Doggett
48. Mike Doyle
49. Rahm Emanuel
50. *Phil English*
51. Anna Eshoo
52. Sam Farr
53. *Michael Fitzpatrick*
54. Harold Ford
55. *Vito Fossella*
56. *Jim Gerlach*
57. *Phil Gingrey*
58. Bart Gordon
59. *Sam Graves*
60. Al Green
61. Gene Green
62. Raul Grijalva
63. Luis Gutierrez
64. Jane Harman
65. *Melissa Hart*
66. Alcee Hastings
67. Brian Higgins
68. Maurice Hinchey
69. Ruben Hinojosa
70. Tim Holden
71. Rush Holt
72. Michael Honda
73. Darlene Hooley
74. Steny Hoyer
75. Jay Inslee
76. Steve Israel
77. Sheila Jackson-Lee
78. *Nancy Johnson*
79. Stephanie Tubbs Jones
80. Paul Kanjorski
81. Marcy Kaptur
82. *Sue Kelly*
83. Patrick Kennedy
84. Dale Kildee
85. Carolyn Kilpatrick
86. Dennis Kucinich
87. Jim Langevin
88. Tom Lantos
89. Rick Larsen
90. John Larson

91. *Steve LaTourette*
92. *James Leach*
93. Barbara Lee
94. Sander Levin
95. John Lewis
96. Daniel Lipinski
97. Nita Lowey
98. Stephen Lynch
99. Carolyn Maloney
100. Ed Markey
101. Jim Marshall
102. Jim Matheson
103. Doris Matsui
104. Carolyn McCarthy
105. Betty McCollum
106. Jim McDermott
107. James McGovern
108. *John McHugh*
109. Michael McNulty
110. Martin Meehan
111. Michael Michaud
112. Juanita Millender-McDonald
113. Brad Miller
114. George Miller
115. Dennis Moore
116. Gwen Moore
117. Jim Moran
118. Jerrold Nadler
119. Grace Napolitano
120. *Bob Ney*
121. James Oberstar
122. John Olver
123. Solomon Ortiz
124. *Tom Osborne*
125. Major Owens
126. Frank Pallone
127. Bill Pascrell
128. Ed Pastor
129. Donald Payne
130. Collin Peterson
131. *Todd Russell Platts*
132. Earl Pomeroy
133. *Jon Porter*
134. David Price
135. *Tom Price*
136. Nick Rahall

137. *Dave Reichert*  
138. Mike Ross  
139. Steve Rothman  
140. Lucille Roybal-Allard  
141. Dutch Ruppersburger  
142. Tim Ryan  
143. John Salazar  
144. Martin Sabo  
145. Loretta Sanchez  
146. Bernie Sanders  
147. Jan Schakowsky  
148. Adam Schiff  
149. David Scott  
150. Robert Scott  
151. Jose Serrano  
152. Brad Sherman  
153. *Rob Simmons*  
154. Louise Slaughter  
155. Adam Smith  
156. *Chris Smith*  
157. Hilda Solis  
158. Pete Stark  
159. Ellen Tauscher  
160. John Tierney  
161. Edolphus Towns  
162. *Mike Turner*  
163. Mark Udall  
164. Tom Udall  
165. *Fred Upton*  
166. Chris Van Hollen  
167. *James Walsh*  
168. Debbie Wasserman Schultz  
169. Maxine Waters  
170. Diane Watson  
171. Melvin L. Watt  
172. Henry Waxman  
173. Anthony Weiner  
174. Robert Wexler  
175. Lynn Woolsey  
176. David Wu  
177. Albert Wynn

**Congress of the United States**  
**Washington, DC 20515**

March 7, 2006

The Honorable Jim Nussle  
Chairman  
House Budget Committee  
309 Cannon HOB  
Washington, DC 20515

The Honorable John M. Spratt  
Ranking Member  
House Budget Committee  
B71 Cannon HOB  
Washington, DC 20515

Dear Chairman Nussle and Ranking Member Spratt:

We write on behalf of the 2.5 million families who live in public housing throughout the nation and we respectfully urge you to provide an additional \$2.6 billion in the FY2007 budget for public housing programs. Years of under funding are having a growing detrimental impact on the public housing authorities throughout the nation.

As you may know, senior citizen households represent 31% of all public housing households, with 72% of these seniors relying on Social Security payments as their primary source of income. 31% of public housing households are home to people with disabilities. Over 863,000 children live in public housing, or about 41% of all residents. Congress must also recognize that nearly half of non-elderly, non-disabled households obtain their primary source of income from working. No matter what a resident's personal situation, they all deserve clean, safe and affordable housing. We, the Congress, have an obligation to provide their housing authorities with the necessary funding to meet these needs.

Over the past years, public housing authorities have struggled to maintain the facilities they manage. The additional money will provide full funding for the Public Housing Operating Fund at \$4.35 billion, the Capital Fund at \$3.5 billion, and HOPEVI at \$600 million. Each of these programs provides key funding streams that pay for major repairs and improvement, heating and cooling, and, in the case of HOPE VI, complete demolition and replacement of severely distressed housing.

We believe that providing decent housing to America's seniors, disabled and youth speaks to who we are as the most prosperous nation ever on Earth. As Americans, we must live up to this potential and promise.

Sincerely,



Charles B. Rangel

George Miller

Donald Payne

Joe Heck

Ed Burns

Elizah E. Cummings

Mayer L. Davis

Donis O. Matsui

Chafee B. Blunt

Shelley B. Capito

Marjorie H. Green

Jim Oberstar

Frank Lautenberg

Rubin H. Hironaka

Jed Strickland

Steve Israel

Jim Holden

Frank Pallone Jr.

Melvin L. Watt

Henry A. Waxman

Ron Cici

Ellen Ocasio

Gregory W. Meeks

Alcee Hastings

Alan D. King

Tim Ryan

Chloë E. Kildee

Walter B. Jones

Eleanor Nash

Edward G. Mackay

Tammy Baldwin

Jim McDemott

Janice

Leanne L. Bannister

Dana White

Julia Carson

Barbara Lee

Stephanie H. H. H.

Carey McCaskey

Robert W. H.

D. H.

Stephanie H.



Harry L. Ockerman

[Signature]

Martin Olov Sabo

Raul M. Grijalva

Tom Allen

[Signature]

Michael M. Bond

[Signature]

[Signature]

Dennis J. Kucinich

Hilda L. Solis

Michael R. Murphy

Louise M. Slaughter Michael E. Caputo

*Robert A.*

*Bob Howard*

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**Congress of the United States**

Washington, DC 20515

March 15, 2006

The Honorable Henry Bonilla  
Chairman  
Subcommittee on Agriculture  
Committee on Appropriations  
U.S. House of Representatives  
2362 Rayburn H.O.B.  
Washington, DC 20515

The Honorable Rosa DeLauro  
Ranking Member  
Subcommittee on Agriculture  
Committee on Appropriations  
U.S. House of Representatives  
1016 Longworth H.O.B  
Washington, DC 20515

Dear Chairman Bonilla and Ranking Member DeLauro:

We write to request that you consider funding the USDA's Section 515 Rural Housing Service (RHS) program at a minimum at the FY 2006 appropriated level of \$99 million.

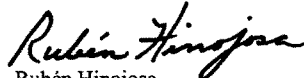
As you know, the President's budget request proposes to eliminate funding for the RHS Section 515 program. The RHS 515 program plays a critical role in facilitating affordable rental housing in rural areas, by providing funds both for new construction and for the repair and preservation of RHS Section 515 affordable rental housing units.


The Section 515 program is the only authorized Federal program that provides new construction loans for multi-family housing in rural areas. Units built under the 515 program provide affordable rental housing for persons of low, very low, and moderate incomes living in rural areas, many of whom are elderly and disabled.


The 515 program also provides funding for the repair and rehabilitation of existing 515 affordable rental housing units, in order to encourage owners to remain in the program and serve lower income families in rural areas. In November, 2004, USDA commissioned a report entitled The Comprehensive Property Assessment and Portfolio Analysis of Rural Rental Housing (CPA Report), in order to assess the status of the existing Section 515 portfolio. The report concluded that over 90% of the nearly 500,000 units in the Section 515 portfolio are worth preserving. However, the report noted that the average age of Section 515 housing projects is 26 years, and most are in need of renovation, and further noted that substantial funding is needed each year to repair and thus preserve these properties. At the same time, the CPA Report found that no existing Section 515 property has sufficient money available in its reserve fund for these essential repairs.


Unfortunately, the FY 2007 budget would zero out the program that plays a critical role in preserving these 515 units. Therefore, we would request that Section 515 funding be restored to at least last year's level of \$99 million, in order to address the needs outlined in the CPA report and new construction of affordable rural rental housing units.

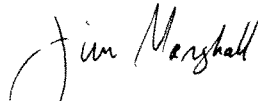
Sincerely,

  
Rubén Hinojosa  
Member of Congress

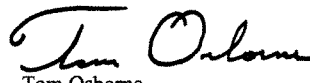
  
Barney Frank  
Member of Congress

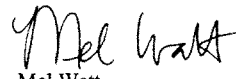
  
Artur Davis  
Member of Congress


  
Bob Ney  
Member of Congress

  
Jim Marshall  
Member of Congress


  
Rick Renzi  
Member of Congress

  
Tom Osborne  
Member of Congress

  
Mel Watt  
Member of Congress

  
Carolyn Maloney  
Member of Congress

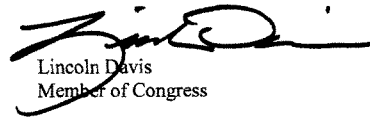
  
Collin C. Peterson  
Member of Congress

  
Mike Ross  
Member of Congress

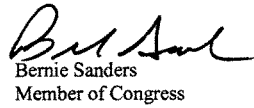
  
Bennie Thompson  
Member of Congress



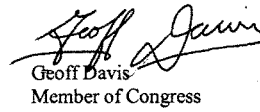
Stephen F. Lynch  
Member of Congress



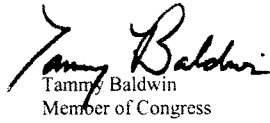
Lincoln Davis  
Member of Congress



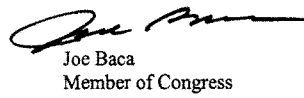
Bernie Sanders  
Member of Congress



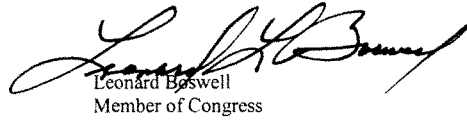
Geoff Davis  
Member of Congress



Tammy Baldwin  
Member of Congress



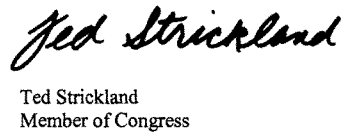
Joe Baca  
Member of Congress



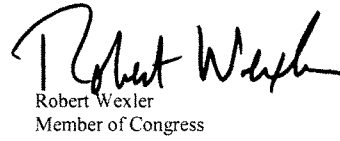
Leonard Boswell  
Member of Congress



Raul Grijalva  
Member of Congress



Ted Strickland  
Member of Congress



Robert Wexler  
Member of Congress

**Congress of the United States**

Washington, DC 20515

January 26, 2006

The Honorable Alphonso Jackson  
Secretary  
U.S. Department of Housing and Urban Development  
451 7th Street S.W.  
Washington, DC 20410

Dear Secretary Jackson:

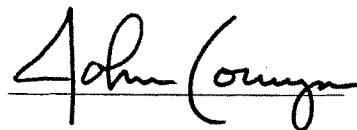
We are writing to express our extreme displeasure and dismay with your announced plan regarding the distribution of the Community Development Fund, created in H.R. 2863, a bill providing emergency supplemental appropriations for hurricane relief in the Gulf of Mexico. The fund is comprised of \$11.5 billion for Community Development Block Grants (CDBG), and was appropriated by Congress for, "necessary expenses related to disaster relief, long-term recovery, and restoration of infrastructure in the most impacted and distressed areas related to the consequences of hurricanes in the Gulf of Mexico in 2005."

We find Texas' allocation of \$74.5 million to be wholly inadequate and contrary to the spirit, intent, and clear language of the Act authorizing and appropriating these funds. Due to the physical devastation, ongoing relief efforts, and long-term recovery needs across the entire Gulf Coast, Congress decided that, rather than assign funding percentages based on early predictions and estimates, the proper approach would be to create one pool of funds available to all "impacted and distressed areas." These funds were appropriated by Congress to be allocated between the States in a manner acknowledging, not only the needs for restoring infrastructure, but also for disaster relief and long-term recovery.

From your allocation plan announced yesterday, we believe HUD has misinterpreted the Congressional intent of the appropriate administration of the Community Development Fund. Based on these allocations, HUD failed to recognize the relief and long-term recovery needs of actual disaster victims, especially those who have moved to new areas as a consequence of the hurricanes. Had Congress intended to assign funding percentages based on destroyed infrastructure alone, we would have explicitly stated so in the legislation.

Texans opened their hearts, homes and wallets to Katrina victims and then Rita hit us in our own back yard, causing a unique set of circumstances and needs. It is unfortunate that HUD has chosen to ignore the intent of Congress in valuing the ongoing needs of victims. It is absolutely inexcusable that Texas, a State that accepted close to half a million Katrina evacuees, who are still in our State, and suffered substantial destruction from Hurricane Rita, would be allocated less than one percent of the Community Development Fund. The impact on our State will last for years, as adjustments are made.

We urge you to reconsider your allocation and to adopt a more balanced approach to administering the Community Development Fund.



~~Eric - B...~~

Ron Paul

AMM

Sheila Jackson Lee

Lamar Smith

Randy King

Michael McCard

Charles Sten

Walter Jones

Hal Rogers

Al Green

Jim Cooper

Louis Gohmert

Ralph M. Hall

John Culberson

Art Edwards

Sam Johnson

Kay Lujan

Tom MacArthur

Tom DeLay

R. Michael

Hyatt

Joe Barton

*John R. ...*

Pete Sessions

Gene Gene

Rubin Hinajosa

Ma Thy

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*Eddie Benie Johnson*

John Gay

Solomon P. P. ...

A. ...

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**Congress of the United States**  
**Washington, DC 20515**

March 1, 2006

The Honorable Jerry Lewis  
H-218 Capitol  
Washington, DC 20515

The Honorable David Obey  
H-218 Capitol  
Washington, DC 20515

Dear Chairman Lewis and Ranking Member Obey:

The Administration recently sent a supplemental appropriations request to Congress which will include almost \$20 billion for additional hurricane relief. As the Appropriations committee works to create a supplemental appropriations package, we would like to bring to your attention the overwhelming need for sufficient hurricane disaster relief assistance in the State of Texas.

When Hurricane Katrina hit, a majority of evacuees fled to shelters in Texas. Without condition or second thought, Texans opened their hearts, homes and wallets to almost a half a million victims of Hurricane Katrina. While the Federal Government, some state and local governments continue to count these individuals and families as residents of their prospective areas, the reality is that they are now, and in many cases will remain Texans. This sudden influx of new residents has placed a strain on our resources.

After Texans' spent a month aiding our neighbors in need, Hurricane Rita slammed Texas causing catastrophic damages. In Southeast Texas, more than 27,000 homes were damaged or destroyed, and thousands of businesses suffered heavy damage. The region's electrical grid was crippled and critical infrastructure throughout the region was left in ruin. The complete costs for Rita, as well as the ongoing costs for Katrina evacuees, continues to be tallied. However, Southeast Texas has documented over \$1.3 billion in damages due to the overwhelming impact of Hurricane Rita alone.

This unprecedented set of circumstances and destruction has left our State and its people in a desperate financial struggle to cope with recovery expenses in the billions of dollars. We were dismayed when Texas was allocated only \$74.5 million, or less than 1%, of the Community Development Block Grants Congress appropriated to the Department of Housing and Urban Development to provide disaster relief, long-term recovery, and restoration of infrastructure to States impacted by the hurricanes in the Gulf of Mexico last year. We respect the fact that our neighbors in Louisiana and Mississippi suffered immeasurable damage from Hurricane Katrina, and that they have immense recovery needs. However, clearly, Congress intended that Texas receive a far greater share of the Community Development Block Grant funding. Therefore, we look to you and other appropriators to now provide a sufficient level of funding to assist Texas with its recovery.

The State of Texas has identified approximately \$2 billion in hurricane recovery needs left outstanding. We respectfully request response to Texas' needs in the House version of the upcoming supplemental appropriations package. The attached document details Texas' identified needs. Additionally, we would like to work with the committee to identify legislative language to allow for maximum flexibility of current funding streams as well as identify proper placement of Texas' long term hurricane recovery needs in regular appropriations vehicles.

We implore you to help us insure Texas has an equal opportunity to secure its fair share of critical hurricane recovery funding. Thank you for your attention to this matter, and we look forward to working with you. Please do not hesitate to contact us if you have questions or desire further information.

Sincerely,

Michael T M'Caal Eddie Bern Johnson

K. Michael Lunny Sam Johnson

Tom DeLoach Sheila Jackson Lee

K. M. McKeat PETE SESSIONS

James Cook Michael G. Katz

Michael Burgess \_\_\_\_\_

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cc: Senator Kay Bailey Hutchison  
Senator John Cornyn  
Senator Thad Cochran  
Senator Robert Byrd  
Texas Governor Rick Perry  
Texas Railroad Commissioner Michael Williams

Attachment

**Texas Hurricane Supplemental Funding Request**

- **\$ 322.0 million - Housing Assistance** -- Funds are needed to provide housing assistance to Texas residents whose homes were damaged by Hurricane Rita, and to the nearly 400,000 residents of Louisiana, Mississippi and Alabama who continue to reside in Texas on a temporary basis. Part of these funds would be appropriated, and part awarded by means of tax credit. Appropriated monies would come from HUD, USDA and CDBG monies to be added to or reallocated under the President's proposal. A one-time low-income housing tax credit allocation of \$45.0 million is not included in this proposal but is necessary and being negotiated through Ways and Means.
- **\$ 47.0 million - Public Safety and Homeland Security** -- This money is needed to assist local governments in areas with large numbers of Katrina evacuees in maintaining public safety upon the termination of FEMA reimbursement. A portion of this money could also be used to replace damaged police, fire and EMS equipment and repair local government facilities damaged by Hurricane Rita.
- **\$ 125.8 million - Uncompensated Care and Mental Health Services** -- The funds would cover the cost of uncompensated health care for victims of Hurricane Rita, and for Katrina evacuees after the expiration of the Medicaid waiver. It would also fund long-term care costs for Katrina evacuees remaining in Texas, as well as mental health services for those affected by Hurricane Rita.
- **\$ 470.4 million - Critical Infrastructure Repairs** -- These funds would assist local governments and utilities in paying for unreimbursed repair costs for Hurricane Rita damage.
- **\$ 412.6 million - Educational Services Reimbursement** -- Texas should be reimbursed for costs associated with providing education services to students who are in Texas as a result of Hurricane Katrina. Monies would also be used to repair public and higher education facilities damaged by Hurricane Rita.
- **\$ 63.8 million - Transportation** -- This money is needed to repair bridges and highways damaged by Hurricane Rita, as well as ports and channels.
- **\$ 59.0 million - Navigation and Waterway Maintenance** -- This money would be used by the Corps of Engineers for maintenance related to erosion, waterway dredging and other related services.
- **\$ 170.0 million - Agriculture, Forestry and Rural Disaster Assistance** -- This includes funds for non-FEMA reimbursable rural debris removal, assistance to agricultural areas hard-hit by Rita, especially timber and rice producing areas, and other unreimbursed repairs to rural and agricultural infrastructure caused by Hurricane Rita.
- **\$ 115.0 million - Social Services and Emergency Assistance** -- These monies would be used to provide case management, direct client services, emergency assistance and other social services to persons affected by Hurricane Rita and Hurricane Katrina evacuees.
- **\$186.1 million -- Community and Economic Redevelopment** -- This includes workforce training funds for Hurricane Katrina evacuees and those affected by Rita, along with funds for bridge loans and grants for small businesses affected by Rita.

<b>TEXAS' TOTAL REQUEST -- \$1.971 Billion</b>
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Live Coverage: Federal heavy-hitters get frank about RESPA reform  
March 29, 2006

As was expected, one of the hot topics on the agenda at the National Association of Mortgage Brokers' 2006 Legislative and Regulatory conference this week was RESPA reform. And the impressive lineup of speakers on the topic did not disappoint.

NAMB decided to tackle the big issue early, with one of the first sessions of the day on Monday, March 27 addressing the current state of RESPA reform. Led by NAMB Government Affairs Chair Joe Falk and SVP Roy DeLoach, the session addressed the current proposals on the table and the general feeling amongst brokers and the industry over where reform is headed. Again, most seemed to be in agreement that HUD would leave the industry to manage bundling on its own and focus on a revised GFE, but as Falk is fond of saying, "The crystal ball is cloudy."

But the most-heavily anticipated RESPA discussion came on Tuesday, March 28, when HUD Secretary Alphonso Jackson addressed the group.

In an earlier conversation, Falk had told us that as far as they were aware, HUD had not recently met privately with any industry associations on the issue of RESPA reform, and that any talking on the subject was likely still being done internally.

Arriving early with his entourage, Jackson took the stage amidst much applause. His speech did not reveal anything too earth-shattering, but seemed to go a bit more in-depth than previous HUD speeches on the issue have done.

Jackson made a faux pas early in his speech when he said he wanted to thank "you all, the National Association of Mortgage Bankers." The entire room groaned and someone called out to correct him. He apologized and joked, "Now I will tell you, that is a Freudian slip, because you all have been extremely supportive of us."

He then started talking about homeownership, and launched into a story from when he was HUD's deputy secretary under Mel Martinez.

According to Jackson, he and Martinez were riding on Air Force One with President George W. Bush one day, when the President's aide came over and said Bush wanted to see them in his private office. "Mel looked at me, I looked at him," Jackson said. "Mel said, 'What do you think?' I said, 'We'll know when we get there.'" When they reached Bush's office, he reportedly said, "Mel, A.J., I want you to create 5.5 million new minority homeowners by 2010," and they both said "OK" and then drank some Dr. Peppers together. But when they went back to their seats, Martinez turned to Jackson and said, "A.J., how are we going to do this?" And Jackson said, "Hell, I don't know, but the president said we were going to do it."

Jackson emphasized that increasing homeownership was still at the top of HUD's agenda, but noted that there were two other key initiatives going on at HUD as well: FHA reform and RESPA reform.

"I am extremely excited about the proposal before congress to reform the FHA program," he said. "We want to go to a risk-based premium structure and also increase FHA loan limits. And we need to convince Congress that FHA should have the same flexibility that the private market does.

"The mortgage business has changed over the years," Jackson said. "Now it's time for HUD to change with it."

Moving on to RESPA, Jackson said, "I guess there was a chance that if I would not discuss be able to get out of the room if I didn't talk about RESPA, so I made a decision that we'd better discuss it."

He then talked about his decision to pull the rule in 2004, but added a little racing metaphor.

"You know, I was an All-American in track," he said. "I ran on the 4x100 team, and I've never seen one 400-meter man who could beat four people in the 400. So when I looked around, I was trying to find the person to hand off the baton to. But at that time in RESPA, there was nobody to hand the baton to. So logic says, if you have nobody to hand the baton to, you're not going to win the race. So I decided to call a time-out, because I said, 'We've got to come back and rethink this because we're not winning. We don't have simple agreement.'

"In fact, I couldn't find anybody standing with us," he joked, to which the room burst into laughs.

Regarding the current state of reform, Jackson said that they are "still weighing every option," and that it is "too early to tell what substantive provisions will be in the rules to be drafted." But he said, "We will be issuing a proposal soon, and I am confident that the proposal will be better for having had your input at the roundtables."

He said, "If we're going to open doors to homebuyers, we'd better work with the people responsible for helping them do it." He added, "I truly believe it is better to be partners than adversaries," and that "our objectives are the same — you and I both go to work every day with the goal of helping people to get homes."

Bob Armbruster, past-president of NAMB, asked Jackson what he wanted his legacy as HUD secretary to be.

Jackson said, "That we achieve 5.5 million minority homebuyers, get a strong GSE regulator, and that RESPA reform is passed." And he put special emphasis on the word "passed."

Falk asked him if he agreed that any changes to RESPA should be tested on consumers before passing, and Jackson said that he hadn't thought about it, but that it sounded like a good idea and that he would run it by his assistant secretary for housing, Brian Montgomery.

This was reportedly only the second time a sitting HUD secretary has ever addressed the association.

In a later speech, the ranking member of the House Financial Services Committee, Rep. Barney Frank, was very, well, frank about his feelings on RESPA.

"The consensus of my colleagues on RESPA is that it gives us a headache," he said. "It's kind of like a Rubik's cube in which every square is a different interest group." And he called Martinez's efforts to push reform through "artificial RESPA-ration," all comments that drew much laughter.

But getting serious, Frank said, "I don't expect we'll do anything soon on the RESPA front."

He also addressed a series of other legislative issues of interest to mortgage brokers, and we'll share more on that in an upcoming story.

Many brokers we spoke to still seemed skeptical about the idea of HUD passing any kind of RESPA reform this year, but said that if anything were to happen, it would be a revised GFE and nothing else. Not surprisingly, most seemed in favor of NAMB's proposed revised GFE form that would match the HUD-1, and many hoped that the elimination of the yield spread premium would make it through. As NAMB's members said before at the RESPA roundtables, they want to see everyone treated the same, regardless of whether they collect their YSP at closing like brokers or their SRP on the back-end like bankers.

And indeed, NAMB appears to have Frank's support in that regard, because when asked why all originators can't be treated the same, Frank said, "Our opinion is to disclose everything. And if people have to pay it, it should be disclosed."

Questions or comments? Contact Robin Wardzala at [rwardzala@octoberresearch.com](mailto:rwardzala@octoberresearch.com).

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**Statement for the Record  
Department of Housing and Urban Development Budget and Program Priorities**

Submitted to:

**U.S. House of Representatives Committee on Financial Services**

Submitted by:

**Stephen Torsell, Executive Director  
Homes on the Hill**

**Homes on the Hill**  
12 South Terrace Ave.  
Columbus, Ohio 43204

March 30, 2006

On behalf of Homes on the Hill, CDC, I would like to thank Chairman Oxley and Ranking Member Frank for this opportunity to express our views on the proposed budget for the Department of Housing and Urban Development (HUD). My name is Stephen Torsell, Executive Director for Homes on the Hill (HOTH), CDC, in Columbus, Ohio. Homes on the Hill was established in 1993 to provide housing and complimentary services to residents of the Greater Hilltop and Westside area of Columbus and Franklin County, Ohio. We are a community-based organization serving a population of 70,000 in our direct service area and more than 120,000 in our combined city and county service areas. As Executive Director, I oversee our affordable homeownership development, housing counseling, downpayment assistance, safety, direct assistance, and outreach programs. Prior to joining Homes on the Hill, I worked in both private- and nonprofit-sector employment in communications, community development, and construction. We current have four full-time and two part-time staff working for HOTH. We are governed by a board of trustees composed mainly of community residents.

Today I would like to share with this committee our perspective on the importance of the HUD budget. Homes on the Hill is deeply committed to improving the affordable housing opportunities in the City of Columbus and Franklin County area. Since 1996, Homes on the Hill has developed more than 60 units of affordable single-family rehab homeownership projects and 16 new construction projects.

In 2002, we added pre-purchase homeownership counseling in English and Spanish to help residents prepare for responsible homeownership and to connect them with downpayment assistance. We have provided direct downpayment assistance to more than 100 households and provided certification to countless others who have applied for other downpayment assistance programs. We estimate that more than 1,000 families have become homeowners through our program. In response to the clear needs of our surrounding community, HOTH also began providing post-purchase housing counseling services. Such investment in Latino, immigrant, low-income, and other communities underserved by mainstream financial institutions is necessary to create financially healthy and sustainable families. Funding that originates from HUD is critical to our delivery of these vital services each year to the hardworking families in our community

#### **Critical Services**

Homes on the Hill has identified affordable housing and homeownership as a key need for our community. In our area, the average homeownership rate is 51%, compared to a national average of 68%. In some core areas it is even lower, around 30-40%. Hispanic homeownership is 27%, Black homeownership is 39%, and low-income homeownership is estimated at 25-30%. The average cost of a home is approximately \$160,000, which is out of reach for too many of our hardworking, low-income families. In addition, Columbus and Franklin have high rates of foreclosure and many financial predators. To combat these issues, HOTH provides affordable homeownership opportunities through development of new and rehabilitated homes, housing counseling assistance, and default and foreclosure prevention services.

For most American families, a home is their primary asset and represents their single greatest opportunity to build wealth. It is important that low-income and minority families are not left



behind. These families rely on their home as a financial safety net, providing a cushion in times of financial crisis and a resource for paying for their children's education and retirement.

For example, many families come to HOTH because they hear about the redeveloped homes we have for sale. In the last two years, approximately half of our property sales were to Latino families. Nearly 120 Latino families participate and learn about homeownership each year through our affordable development program. Our clients are as diverse as our community, many making well below the average incomes for our area. If it were not for this opportunity, many of these families would still be living in Section 8 apartments or rundown rentals. Today, however, they are homeowners.

The success of our various partner families would not have been possible without strong public and private partnerships. For example, the City of Columbus, from which we receive Community Development Block Grant funds (CDBG), has supported our projects for the past seven years. We use these funds to pay for homebuyer counseling and education programming. We also get HOME funds from the City of Columbus and Franklin County for predevelopment expenses and as gap funding for our projects. Other funds are provided by United Way, the Huntington Bank, HSBC, the Ohio CDC Association, and others. Many of these funding sources are a one-time or limited-time application. This increases the need for dependable funds such as those provided through CDBG.

Our entire community has been disappointed by the Administration's attack on CDBG funding. While the program may be due for some modernizations, the core purpose of the funding – to inject flexible funding into the hands of localities that most need them – is being accomplished. In the President's proposed budget, CDBG will lose more than a quarter of its funding. This is unacceptable; cities and states throughout the country rely on this funding to build affordable housing, repair streets and facilities in low-income communities, and increase economic development.

In addition, several years ago we created our housing counseling program to address these needs. As a member of the National Council of La Raza Homeownership Network (NHN) we are HUD certified. Participants receive eight hours of homebuyer education and have the opportunity to meet face-to-face with our housing counselors. Hilda Mendoza is one of our successful Latino homebuyers who has been in her home for more than two years. Hilda did not even think about the possibility of purchasing a home until she took one of our classes. She purchased a HUD-repossessed HOME that HOTH had rehabilitated on South Eureka in Greater Hilltop. It's a beautiful two-story home, and she enjoys it very much. Dionne Wolfe is another typical example of one of the over 220 families we served last year. Ms. Wolfe has children and a full-time job. She had never owned a home prior to working with HOTH. She participated in our homebuyer education classes and worked with our staff for six months who helped her qualify for a loan. She was successful in closing on a house in December 2005.

Ms. Mendoza's and Ms. Wolfe's stories, and others like them, would not have been possible without ongoing support of the housing counseling program and support provided from CDBG funds for this activity. As you know, housing counseling is an effective strategy for preparing low- and moderate-income families for responsible homeownership. Unfortunately, there are

many families who did not receive counseling before they purchased their home and now need default counseling. We have increased our concentration on this activity but still lack sufficient resources to meet the demand. We cannot afford to reduce the support from CDBG funding for this activity. We look forward to the Committee's continued support of these important services.

We were pleased to see the President propose a modest increase in Housing Counseling Assistance funding. These funds will help counseling organizations keep pace with the current demands on their agencies. However, I would also like to point out that the proposed budget includes new initiatives that could present additional stress on an already thinly-stretched industry. The American Dream Downpayment Program and the proposed Federal Housing Administration (FHA) 100% financing product will likely increase the demand for counseling services above the levels we are currently seeing. Housing counseling funds from HUD account for just 25% of our overall budget, but these dollars help us attract more than \$100,000 in private and charitable funding. HUD's investment in housing counseling is critical to the expansion and growth of these services.

Of course, these are only two programs out of the many that are funded by the HUD budget. A quick review of the proposed budget shows that other programs that are essential to our community are also slated for cuts, such as Housing Choice Vouchers and Fair Housing and Equal Opportunity.

#### **Recommendations**

It is our view that these programs effectively advance opportunities to remedy and alleviate the poor housing conditions of hundreds of families in our community each year. Thus, we make the following recommendations:

- **Fully fund the Community Development Block Grant program.** CDBG provides flexible funding to cities, counties, and states, allowing them to spend the money on local priorities. Our communities cannot afford the loss of services that would be required with a 27% cut to that funding.
- **Increase funding for Housing Counseling Assistance.** While we applaud the \$2.5 million increase to the proposed 2007 federal budget, this only allows housing counseling agencies to barely keep up with current demand. With the increase in alternative and exotic mortgage products, including some proposed by Congress and the current Administration, the demand on counseling agencies will increase markedly.

We have appreciated the support of the government through these important HUD programs and encourage your continued support. We would be pleased to provide you with any additional information regarding our programs or services we provide to our community.