

ADDITIONAL HOUSING VIEWS

Summary

Department of Housing and Urban Development (HUD) and Rural Housing Service (RHS) programs are designed to provide a housing safety net for our nation's poorest families and the homeless, to foster economic opportunities for low- and moderate-income families, and to strengthen urban and rural communities.

Unfortunately, the FY 2007 HUD budget further continues a five year effort by the Bush Administration to dismantle or make deep funding cuts to critical federal housing programs. The Administration's assault on housing programs has been targeted to lower income working families and to our most vulnerable seniors, disabled persons, and families with children.

Sadly, this same approach is now being extended to the Rural Housing Service. The FY 2007 Bush Administration RHS budget abandons a 40-year effort to build and preserve rural affordable housing units, and proposes to shift rural homebuyers into more expensive federal mortgage loan products, which will reduce homeownership opportunities.

The FY 2007 budget proposes to cut a number of critical HUD programs by a combined total of nearly \$2 billion. If enacted, funding levels for most of the major HUD programs will have suffered substantial reductions in real terms since the Bush Administration took office – including a 53% cut to the Section 811 disabled housing program, a 39% cut to the Section 202 elderly housing program, a 42% cut to Community Development Block Grants (CDBG), a 32% cut to public housing, an 18% cut in Native American housing block grants, a 12% cut to HOME block grants, a 16% cut to Fair Housing enforcement, and a 28% cut to the Youthbuild program.

Moreover, if adopted, the Administration's FY 2007 budget would mean that in just five years, a number of important housing programs will have been eliminated. These include: the public housing Drug Elimination Program (eliminated in 2001) and the HOPE VI public housing revitalization program; Brownfields Redevelopment grants; Urban Empowerment Zone funding; the HUD Rural Housing and Economic Development program; the National Community Development Initiative program (under which LISC, Enterprise, and Habitat leverage private sector funds); CDBG Section 108 loans used by cities to leverage larger economic revitalization projects; and the RHS Section 515 rental housing construction and preservation program.

Affordable Rental Housing

The President's budget abandons a 30 year federal commitment to build affordable housing for persons with severe disabilities. The budget proposes a 50% cut (\$119 million)

to the HUD Section 811 disabled housing program. The budget virtually eliminates any funds for Section 811 disabled housing construction, even though that program has been used effectively by Faith-Based Organizations and other non-profit organizations. The Administration offered a similar proposal in last year's FY 2006 budget to eliminate all new construction funding for affordable housing for the disabled, and the Administration even tried to rescind \$100 million in Section 811 new construction funding already appropriated for FY 2005.

This major cut would be bad enough if it were simply a misguided policy to move away from site-based housing for the disabled toward a model of tenant-based rental assistance. But, this severe cut comes in the wake of previous Bush Administration actions to cut tenant-based rental assistance for the disabled as well. These actions include a successful effort by the Bush Administration to eliminate funding for a bi-partisan program that had created 40,000 new housing vouchers for the disabled, and Administration proposals to block grant the Section 8 housing voucher program, which would have a particularly disastrous impact on our ability to meet the housing needs of disabled persons.

The President's budget also proposes a 26% cut (\$189 million) to the HUD Section 202 elderly housing program. If adopted, funding for the 202 elderly housing program will be 39% lower in real terms than when the Bush Administration took office. This cut to the 202 program comes at a time when over 8.4 million seniors make less than \$10,500 a year, and 1.4 million very low income seniors pay more than 50% of their income for rent or live in substandard housing. It is unconscionable that the Administration would propose to cut the Section 202 program that builds affordable housing units for seniors, at a time when AARP estimates that there are nine seniors waiting for each Section 202 unit that becomes available.

The Bush Administration budget continues an unrelenting five year assault on our nation's public housing programs, which serve our poorest families, seniors, and disabled persons. The President's budget proposes another \$459 million in cuts to public housing. If adopted, public housing will have sustained a 32% cut in real terms since the Bush Administration took office. Once again the bulk of the cuts are in the Public Housing Capital Fund, which is used to repair and maintain units. For the fourth year in a row, the Administration is also trying to eliminate the highly successful HOPE VI program to revitalize distressed and obsolete public housing projects. While the Administration has not succeeded in killing the HOPE VI program, funding has fallen from \$574 million just a few years ago to only \$99 million appropriated for FY 2006. Of course, the Administration budget proposes to rescind even this meager \$99 million, which was approved by Congress just one month earlier.

The budget spares the Section 8 housing voucher program from the \$1.6 billion in cuts the Administration proposed just two years earlier. But the budget promises a continued effort to push Congress to approve the Bush Administration's proposal to block grant the voucher program. This proposal, which Congress has repeatedly rejected on a bi-partisan basis, would eviscerate tenant protections that target vouchers to our nation's poorest families and protect those families from steep rent hikes.

The Administration's block grant proposal would also eliminate the right of housing authorities to rent to a specified number of families, thus facilitating a downward spiral in renewal funding. While Congress has rejected this approach, it has made changes to the voucher renewal formula at the Administration's urging that has resulted in funding levels that HUD itself acknowledges provided less than 96% of voucher renewal needs for FY 2005 and less than 95% of voucher renewal needs in FY 2006. Congressional reliance on an outdated funding formula proposed by the Bush Administration has also resulted in the misallocation of resources, at a time when renewal funding is inadequate.

Finally, to demonstrate that cutting housing funding is intergenerational for the Bush Administration, the budget would also cut 23% from the lead paint program, which is used to ameliorate health risks to children in older apartments with health threatening lead paint hazards.

Community and Economic Development

Cities and counties use flexible Community Development Block Grants (CDBG) to meet critical local community development, infrastructure, and affordable housing needs. Last year's Administration budget proposed to eliminate CDBG as we know it, to consolidate and transfer CDBG and 17 other programs to the Commerce Department, and to cut overall funding for these programs by 35%. Fortunately, this proposal was strongly rejected on a bi-partisan basis by Congress.

Chastened by this rejection, the Administration has backed off from the proposal to eliminate CDBG – but has not backed off from its goal of making severe funding cuts. The FY 2007 budget cuts \$736 million (20%) from CDBG block grants. If adopted, funding for CDBG block grants will be 40% lower in real terms than when the Bush Administration took office.

The budget also paves the way for even deeper cuts to CDBG by making an unrealistic proposal not just to zero out the \$356.4 million in CDBG member earmarks appropriated last year, but to rescind all of last year's earmarks. Regardless of the merits of member earmarks, this unrealistic assumption leaves a hole in the budget of up to \$713 million that could precipitate hundreds of millions of dollars of additional cuts to CDBG or other housing programs.

The President's budget also eliminates funding for a number of other community development programs, including HUD Brownfields Redevelopment grants (funded at \$25 million in recent years), Urban Empowerment Zones, Section 108 CDBG loans that cities use to leverage larger scale economic development projects, and National Community Development Initiative (NCDI) grants to LISC, Enterprise, and Habitat, which are used to leverage economic development and housing.

Rural Housing

The President's budget abandon's rural housing – abrogating the federal role in preserving the existing affordable housing stock of over 500,000 RHS Section 515 rural rental housing units. A November, 2004 RHS-commissioned study concluded that 92% of this 515 housing stock was worthy of being preserved, at a cost of \$210 million in the first year, and \$2.6 billion over the long run. Yet, instead of addressing this need, the President's budget is the first since 1963 that failed to ask for a single dollar for building or rehabilitating Section 515 rural units. The budget also cuts funding for rural rental assistance, and shifts some of that money to vouchers, for the purpose of enabling landlords to leave the 515 program and raise the rents on low-income rural families. Finally, the HUD budget eliminates funding for the Rural Housing and Economic Development program, funded at \$25 million in recent years.

Homeownership

While the Bush Administration professes support for homeownership, its budget continues to advocate for a weakening of support for homeownership opportunities for low- and middle-income families. The Administration's insistence on imposing arbitrary portfolio limits on the nation's larger providers of mortgage credit, Fannie Mae and Freddie Mac, undercuts the goal of enhancing homeownership (in contrast to the GSE bill drafted by the Financial Services Committee and passed by the House, which fully provides the necessary changes to protect the safety and soundness of the GSEs, without negatively affecting homeownership).

The FY07 budget includes a proposal for "risk-based pricing" for FHA single family loans, which could raise fees on poorer and less credit-worthy borrowers. The President's Rural Housing Service (RHS) budget would move rural mortgage borrowers away from lower cost, subsidized direct loans into guaranteed loans – which are much more expensive for borrowers, but lucrative for lenders. And the President's budget would cut funding for Fair Housing enforcement.


Hurricane Katrina Housing Needs


The Bush Administration's response to the housing needs of hundreds of thousands of renters and homeowners displaced by Hurricane Katrina has been haphazard and totally inadequate. Nearly six months after Katrina hit, FEMA still has not issued guidelines for continued eligibility for rent assistance (in defiance of a Congressional directive). FEMA's efforts to provide temporary trailers to displaced families has been marked by repeated delays and problems in siting the trailers. And, FEMA precipitated an unnecessary crisis with its erratic effort to kick families out of motels and hotels on short notice.

Finally, we note the complete absence of any proposed response in the Administration budget to the ongoing housing crisis in areas affected by Hurricane Katrina. The continued non-involvement of HUD in this situation is especially noteworthy.


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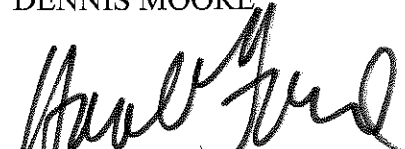

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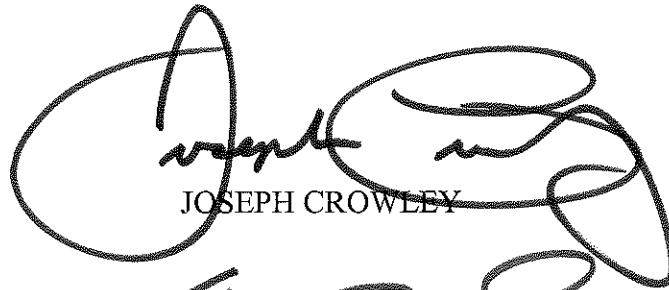

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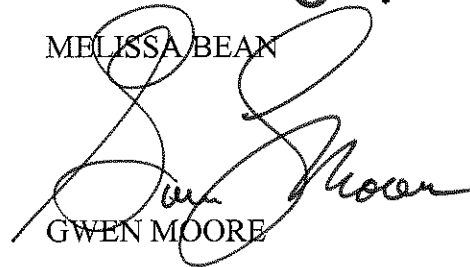

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