

AMERICAN DREAM DOWNPAYMENT ACT

JUNE 19, 2003.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. OXLEY, from the Committee on Financial Services,
submitted the following

R E P O R T

together with

DISSENTING VIEWS

[To accompany H.R. 1276]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 1276) to provide downpayment assistance under the HOME Investment Partnerships Act, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

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AMENDMENT

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “American Dream Downpayment Act”.

SEC. 2. DOWNPAYMENT ASSISTANCE INITIATIVE UNDER HOME PROGRAM.

(a) DOWNPAYMENT ASSISTANCE INITIATIVE.—Subtitle E of title II of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12821) is amended to read as follows:

“Subtitle E—Other Assistance**“SEC. 271. DOWNPAYMENT ASSISTANCE INITIATIVE.**

“(a) GRANT AUTHORITY.—The Secretary may make grants to participating jurisdictions to assist low-income families to achieve homeownership, in accordance with this section.

“(b) ELIGIBLE ACTIVITIES.—

“(1) IN GENERAL.—Amounts made available under this section may be used only for downpayment assistance toward the purchase of single family housing by eligible families. For purposes of this title, the term ‘downpayment assistance’ means assistance to help a family acquire a principal residence.

“(2) ELIGIBLE FAMILIES.—For purposes of this section, the term ‘eligible family’ means a family who—

“(A) is a low-income family and a first-time homebuyer; or

“(B) notwithstanding the income limitation under section 215(b)(2)—

“(i) includes a uniformed employee (which shall include policemen, firemen, and sanitation and other maintenance workers) or a teacher who is an employee, of the participating jurisdiction (or an agency or school district serving such jurisdiction) that is providing the downpayment assistance under this section for the family; and

“(ii) has an income, at the time referred to in subparagraph (A), (B), or (C) of section 215(b)(2), as appropriate, and as determined by the Secretary with adjustments for smaller and larger families, that does not exceed 115 percent of the median income of the area, except that, with respect only to such areas that the Secretary determines have high housing costs, taking into consideration median house prices and median family incomes for the area, such income limitation shall be 150 percent of the median income of the area, as determined by the Secretary with adjustments for smaller and larger families.

“(c) HOUSING STRATEGY.—To be eligible to receive a grant under this section for a fiscal year, a participating jurisdiction shall include in its comprehensive housing affordability strategy under section 105 for such year—

“(1) a description of the use of the grant amounts;

“(2) a plan for conducting targeted outreach to residents and tenants of public housing, trailer parks, and manufactured housing, and to other families assisted by public housing agencies, for the purpose of ensuring that grant amounts provided under this section to a participating jurisdiction are used for downpayment assistance for such residents, tenants, and families; and

“(3) a description of the actions to be taken to ensure the suitability of families provided downpayment assistance under this section to undertake and maintain homeownership.

“(d) FORMULA ALLOCATION.—For each fiscal year, the Secretary shall allocate any amounts made available for assistance under this section for the fiscal year in accordance with a formula, which shall be established by the Secretary, that considers a participating jurisdiction’s need for and prior commitment to assistance to homebuyers. The formula may include minimum and maximum allocation amounts. In considering a participating jurisdiction’s prior year’s commitment to assistance to homebuyers, the formula shall consider amounts committed to such purpose under the HOME investment partnerships program, the community development block grant program, mortgage revenue bonds, and prior year’s funding from State and local governments, provided that the data underlying such funding is uniform, verifiable, and accurate by the State and local government, and shall consider other factors that the Secretary determines to be appropriate.

“(e) REALLOCATION.—If any amounts allocated to a participating jurisdiction under this section become available for reallocation, the amounts shall be reallo-

cated to other participating jurisdictions in accordance with the formula established pursuant to subsection (d), except that if a local participating jurisdiction failed to receive amounts allocated under this section and is located in a State that is a participating jurisdiction, the funds shall be reallocated to the State.

“(f) APPLICABILITY OF OTHER PROVISIONS.—

“(1) IN GENERAL.—Except as otherwise provided in this section, grants under this section shall not be subject to the provisions of this title.

“(2) APPLICABLE PROVISIONS.—In addition to the requirements of this section, grants under this section shall be subject to the provisions of title I, sections 215(b) (except as provided in subsection (b)(2)(B) of this section), 218, 219, 221, 223, 224, and 226(a) of subtitle A of this title, and subtitle F of this title.

“(3) REFERENCES.—In applying the requirements of subtitle A referred to in paragraph (2)—

“(A) any references to funds under subtitle A shall be considered to refer to amounts made available for assistance under this section; and

“(B) any references to funds allocated or reallocated under section 217 or 217(d) shall be considered to refer to amounts allocated or reallocated under subsection (d) or (e) of this section, respectively.

“(g) ADMINISTRATIVE COSTS.—Notwithstanding section 212(c), a participating jurisdiction may use funds under subtitle A for administrative and planning costs of the jurisdiction in carrying out this section, and the limitation in section 212(c) shall be based on the total amount of funds available under subtitle A and this section.

“(h) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section \$200,000,000 for each of fiscal years 2004 and 2005.”

(b) RELOCATION ASSISTANCE AND DOWNPAYMENT ASSISTANCE.—Subtitle F of title II of the Cranston-Gonzalez National Affordable Housing Act is amended by inserting after section 290 (42 U.S.C. 12840) the following new section:

“SEC. 291. RELOCATION ASSISTANCE AND DOWNPAYMENT ASSISTANCE.

“The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 shall not apply to downpayment assistance under this title.”

PURPOSE AND SUMMARY

H.R. 1276, the American Dream Downpayment Act, amends the Cranston-Gonzalez National Affordable Housing Act to authorize the Secretary of HUD to make grants to participating jurisdictions for downpayment assistance to low-income, first-time home buyers using the HOME program as a distribution mechanism.

BACKGROUND AND NEED FOR LEGISLATION

In June, 2002, President Bush announced the national goal of increasing the number of minority homeowners by at least 5.5 million by the end of this decade and in part to eliminate the homeownership opportunity gap. To further that goal, the Administration proposed the American Dream Downpayment Initiative (Initiative)—a new initiative designed to set first-time, low-income homebuyers on the path to homeownership by helping with downpayment and closing costs. These costs are traditionally the most significant obstacles that would-be homebuyers face. The Initiative will provide communities throughout America with \$200 million in grants in each year for FY 2004 and FY 2005. This \$200 million is included in the President’s FY 2004 budget proposal and is estimated to assist 40,000 low-income families each year to share in the American dream of owning their first home. The Initiative requires a special appropriation so that funding for the downpayment program does not affect existing HOME program funding. Each low-income family will be given an average of \$5,000 to be used toward downpayment and closing costs. Moreover, this new group of homeowners is expected to boost the American economy with an infusion of roughly \$256 billion.

The initiative is considered a wealth-building program and will be administered under the Department of Housing and Urban Development's (HUD) Home Investment Partnerships Program (HOME). HOME is an existing grant program that helps communities nationwide expand the supply of standard, affordable housing for low- and very low-income families. Therefore, rather than creating a new program infrastructure, the existing HOME program provides the Initiative the same local administrators, distribution networks and personnel to begin making an immediate impact for low-income families. Moreover, the Initiative will preserve the flexibility of the HOME program, so that States can design a package of downpayment assistance that best meets the needs of local citizens. More than 500 States and local jurisdictions will be eligible to receive the \$200 million in grant funding, which will immediately assist these low income families in their first homebuying experience.

The need for this program was highlighted in a recent HUD study entitled *Barriers to Minority Homeownership*, available on HUD's website at www.hud.gov. The study showed that the Nation's overall homeownership rate is 68 percent. More than two-thirds of all Americans own their own home; however, the homeownership rate for African-American, Hispanics and other non-Hispanic minorities is approximately 49 percent. Between 1994 and 2001, the gap between these two homeownership rates had only narrowed by 1½ percentage points.

The HUD report concluded that if the persistent gap in minority homeownership is to be substantially narrowed, the structural barriers to home ownership, particularly lack of capital for downpayment and closing costs, must be eliminated. This legislation eliminates that barrier for families struggling to save for a downpayment, but otherwise qualify for homeownership. Many low income Americans, particularly in minority communities, can meet a monthly mortgage payment, but they cannot afford the downpayment and closing costs associated with a standard residential loan.

In addition to helping more families purchase their own homes, this proposal is also expected to strengthen communities by enlarging the number of stakeholders, thereby stabilizing and revitalizing our neighborhoods. The Millennial Housing Commission, in its May 30, 2002, report to Congress, noted that lagging minority homeownership rates are a serious concern because minority households are expected to account for two-thirds of household growth over the coming decade.

Improving the ability of Americans to make the transition to homeownership will be an especially important test of the Nation's capacity to create economic opportunity for minorities and immigrants and to build strong, stable communities. In most cases, the purchase of a home will be the largest and most significant investment an individual will make. Therefore, the home equity, created by that home purchase, is the most significant and perhaps only asset held by most American families and represents a significant share of household net worth.

The creation of homeownership opportunities is also a catalyst for creating wealth-building capacity enabling families to prosper, through personal as well as professional and educational opportunities. Home equity can provide capital for small business startups

or funds for higher education pursuits, both of which enhance community and individual economic viabilities. Studies also show that the average net worth of low-income renters is about \$900, yet it rises to over \$70,000 when they become home owners.

A substantial body of research suggests that homeowners are more attached and active in their communities. With a little extra help in the form of downpayment assistance, Congress can help these families achieve the American dream of homeownership and strengthen the Nation's economy and communities at the same time.

During the Committee's review of the need for this legislation, studies were presented showing that homeownership leads to a higher quality home environment enabling children to function better at school. For example, a 2001 study entitled "The Impact of Homeownership on Child Outcomes," by Donald Haurin, Toby Parcel, and Jean Haurin of Ohio State University demonstrated that residential stability leads homeowners to establish stronger community and social ties. A homeowner child's mathematics achievement level is seven percent higher than a renter child's. Further, children of homeowners complete almost a half a year more of education and have a high-school graduation rate that is 13 percentage points higher than their counterparts.

From a community's perspective, owning a home provides a sense of security and contributes to safer, stronger neighborhoods. A financial and personal stake in a residence ensures that citizens assist and provide for a better neighborhood where all families, children, elderly and others can thrive and enjoy a better quality of life.

Paradoxically, in order to build wealth through homeownership, borrowers must first accumulate some amount of wealth for a down payment. This contribution of borrower funds is a significant factor in virtually every lending decision. Until the mid-1990s, down payments on low-cost conventional mortgages averaged around 20 percent of the loan balance. Many families had to postpone homeownership for years while they worked to accumulate such a sizeable downpayment. Under the current mortgage finance environment, modern technology has assisted financial underwriters with the ability to assess credit risk, thereby decreasing the necessity for the types of substantial downpayments required ten or twenty years ago. However, most lenders continue to require some form of downpayment or homeowner equity at purchase to increase the likelihood that the borrower will not default. These downpayments will provide that assurance and close that homeownership opportunity gap.

The Subcommittee on Housing and Community Opportunity adopted two amendments during its consideration of the bill. The first amendment clarified the funding formula to ensure that participating jurisdictions (local and State jurisdiction receiving grants from HOME or this legislation) are given credit and provided funds based on need and for downpayment assistance provided through existing CDBG and HOME programs, mortgage revenue bonds, and other State and local funds and programs. The second amendment adopted by the Subcommittee targets program outreach to public housing residents, Section 8 residents, and mobile home communities. Public housing recipients are traditionally a sector of the

population excluded from the home buying experience. This outreach will help to ensure that eligible public housing recipients have an opportunity to share in the American dream of homeownership and to break the cycle of dependence on public housing assistance.

During the full Committee's consideration of the bill, a member raised a concern regarding section 271 of the bill pertaining to the formula allocations and the inclusion of a maximum amount, or "cap" on the funding for this program. The concern was that such a cap could adversely affect large urban areas. Recognizing this issue, the Committee intends to correct this problem when the bill is considered by the House by striking the language "and maximum" at the end of section 271 thereby making it consistent with the existing HOME program.

The full Committee also adopted two amendments during consideration. The first would require States and localities to ensure that families receiving the housing assistance are financially prepared to maintain ownership of their homes after the purchase. Under the provisions of the amendment, States and localities are required to incorporate a plan outlining how they intend to implement this initiative through the existing and required annual comprehensive housing affordability strategy plan as well as to provide the public an opportunity to review and comment on the local government's plans to address affordable housing issues.

The second amendment adopted by the Committee would allow localities to use the new grant funds to help municipal employees making between 80 percent and 115 percent of local median income, and up to 150 percent in high cost areas, in order to help them live in the communities they serve. During the deliberations, many concerns were raised about the local residency requirements for police, fireman, teachers or other municipal workers imposed by local jurisdictions. In most cases, the public service salaries are not sufficient to afford housing in some of the most expensive housing markets in the country. As a result, the amendment would contribute to the viability and diversity of working families in these communities.

The Committee deliberated on a third amendment to expand the eligible activities under the initiative to include foreclosure prevention counseling and foreclosure prevention assistance. While the Committee recognizes the benefits of counseling to the long-term homeownership status of low-income families, allowing American Dream Downpayment grants to be used for foreclosure counseling and prevention would dilute the specific purpose of the bill, which is to provide downpayment assistance for first-time low-income homebuyers.

The Committee believes that the private sector currently provides a variety of loss-mitigation programs to prevent foreclosure. In fact, in most cases, it is disadvantageous for mortgage lenders to allow a mortgage to go to foreclosure. Conventional lenders not only practice loss mitigation but advise their mortgagors about the availability of counseling.

The Committee believes, however, that counseling is essential to successful homeownership. Counseling helps renters and homebuyers become better-educated consumers and can result in reduced defaults and foreclosures. That is why President Bush has

made housing counseling a priority in HUD's budget this year. In fact, the proposed FY 04 HUD budget increases housing counseling by \$10 million, providing a total of \$45 million overall for that initiative. A multitude of counseling programs already exist at HUD to assist and provide individuals with counseling. The Committee believes a review of the current counseling practices and standards in the existing programs will help to determine what types of additional assistance is necessary. In addition, the Committee intends to work on a comprehensive homeownership counseling bill that will include foreclosure prevention and foreclosure counseling.

Overall, the goal of the American Dream Downpayment Act is to increase the overall homeownership rate, and to close the current homeownership opportunity gap for minorities. There are many hard working, low-income families who would greatly benefit from the wealth-building opportunity that homeownership can afford. When citizens own their own home, they become stakeholders in their communities. By increasing the number of stakeholders through homeownership, empowered individuals and families will be less reliant on long-term government assistance.

The American Dream Downpayment will help jumpstart the Administration's goal to bridge the minority homeownership opportunity gap and to increase the number of Americans owning their own home by 5.5 million.

HEARINGS

The Subcommittee on Housing and Community Opportunity held a hearing on April 8, 2003 entitled "Promoting the American Dream of Homeownership through Downpayment Assistance." The following witnesses testified: the Honorable Mel Martinez, Secretary of Housing and Urban Development; Robert M. Couch, President and CEO, New South Federal Savings Bank, Birmingham, Alabama, on behalf of the Mortgage Bankers Association of America; Ms. Lori R. Gay, Executive Director, Los Angeles Neighborhood Housing Services, Los Angeles, California; Ms. Barbara Thompson, Executive Director, National Council of State Housing Agencies; Mr. Paul Hilgers, Director, Neighborhood Housing and Community Development Department, City of Austin, Texas; Mr. Craig S. Nickerson, Vice President, Community Development and Lending, Freddie Mac, Washington DC; and Mr. Darrell V. Griffin, Sr., Division Chief, Housing Services Division, City of Jacksonville, Florida.

COMMITTEE CONSIDERATION

The Subcommittee on Housing and Community Opportunity met in open session on May 7, 2003, and approved H.R. 1276 for full Committee consideration, as amended, by a voice vote.

The Committee on Financial Services met in open session on May 21, 2003, and ordered H.R. 1276 reported to the House with a favorable recommendation, with an amendment.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report legislation and amendments thereto. A motion by Mr.

Oxley to report the bill to the House with a favorable recommendation was agreed to by a voice vote.

The following amendment was considered by a record vote:

An amendment by Ms. Lee, no. 5, providing foreclosure prevention counseling, was not agreed to by a record vote of 25 yeas and 35 nays (Record vote no. FC-7).

RECORD VOTE NO. FC-7

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Oxley		X		Mr. Frank (MA)	X		
Mr. Leach		X		Mr. Kanjorski	X		
Mr. Bereuter		X		Ms. Waters	X		
Mr. Baker		X		Mr. Sanders*	X		
Mr. Bachus		X		Mrs. Maloney			
Mr. Castle		X		Mr. Gutierrez			
Mr. King				Ms. Velázquez	X		
Mr. Royce		X		Mr. Watt	X		
Mr. Lucas (OK)		X		Mr. Ackerman			
Mr. Ney		X		Ms. Hoolley (OR)	X		
Mrs. Kelly		X		Ms. Carson (IN)	X		
Mr. Paul				Mr. Sherman	X		
Mr. Gillmor		X		Mr. Meeks (NY)	X		
Mr. Ryun (KS)		X		Ms. Lee	X		
Mr. LaTourette				Mr. Inslee	X		
Mr. Manzullo		X		Mr. Moore	X		
Mr. Jones (NC)		X		Mr. Gonzalez	X		
Mr. Ose		X		Mr. Capuano	X		
Mrs. Biggert		X		Mr. Ford			
Mr. Green (WI)		X		Mr. Hinojosa	X		
Mr. Toomey		X		Mr. Lucas (KY)		X	
Mr. Shays		X		Mr. Crowley			
Mr. Shadegg		X		Mr. Clay			
Mr. Fossella		X		Mr. Israel			
Mr. Gary G. Miller (CA)		X		Mr. Ross	X		
Ms. Hart		X		Mrs. McCarthy (NY)	X		
Mrs. Capito		X		Mr. Baca	X		
Mr. Tiberi		X		Mr. Matheson	X		
Mr. Kennedy (MN)		X		Mr. Lynch	X		
Mr. Feeney		X		Mr. Miller (NC)	X		
Mr. Hensarling		X		Mr. Emanuel	X		
Mr. Garrett (NJ)		X		Mr. Scott (GA)	X		
Mr. Murphy		X		Mr. Davis (AL)	X		
Ms. Ginny Brown-Waite (FL)		X					
Mr. Barrett (SC)		X					
Ms. Harris		X					
Mr. Renzi		X					

*Mr. Sanders is an independent, but caucuses with the Democratic Caucus.

The following amendments were also considered:

An amendment by Mr. Crowley, No. 1, eliminating maximum allocation amounts from the formula, was withdrawn.

An amendment by Ms. Velázquez, No. 2, ensuring the suitability of recipients of downpayment assistance, was agreed to by a voice vote.

An amendment by Mr. Capuano, No. 3, making municipal employees eligible for downpayment assistance through the Home Program, was ruled non germane by the Chair.

An amendment by Mr. Capuano, No. 4, making municipal employees eligible for downpayment assistance

through the American Dream Downpayment Program, was agreed to by a voice vote.

An amendment by Mr. Meeks of New York, No. 6, defining “single family” as 1 to 4 family residences, was withdrawn.

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee made findings that are reflected in this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee establishes the following performance related goals and objectives for this legislation:

Utilizing the authority granted by this legislation, the Secretary of Housing and Urban Development will provide resources to States and localities to increase the opportunities for homeownership among low-income, first-time homebuyers, particularly minorities, in accordance with their comprehensive housing affordability strategies.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

CONGRESSIONAL BUDGET OFFICE ESTIMATE

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 2003.

Hon. MICHAEL G. OXLEY,
*Chairman, Committee on Financial Services,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 1276, the American Dream Downpayment Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Chad Chirico.

Sincerely,

DOUGLAS HOLTZ-EAKIN,
Director.

Enclosure.

H.R. 1276—American Dream Downpayment Act

Summary: H.R. 1276 would authorize the appropriation of \$200 million for each of fiscal years 2004 and 2005 to be used for down-payment assistance toward the purchase of single-family housing by low-income, first-time homebuyers. Uniformed employees of participating local jurisdictions, such as police and firefighters, whose income does not exceed 115 percent of the median income of the area would also be eligible for down-payment assistance.

CBO estimates that appropriation of the authorized amounts would cost \$400 million over the 2004–2008 period. Enacting H.R. 1276 would not affect direct spending or revenues.

H.R. 1276 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

Estimated cost to the Federal Government: CBO estimates that implementing H.R. 1276 would cost \$400 million over the 2004–2008 period, assuming appropriation of the amounts authorized for each year. For this estimate, we assume the bill will be enacted by the beginning of fiscal year 2004. The estimated outlays are based on historical patterns for similar activities in the HOME Investment Partnership Program. The estimated budgetary impact of H.R. 1276 is shown in the following table. The costs of this legislation fall within budget function 600 (income security).

	By fiscal year, in millions of dollars					
	2003	2004	2005	2006	2007	2008
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law:						
Budget Authority/Authorization Level ¹	1,987	2,021	2,061	2,104	2,148	2,196
Estimated Outlays	1,644	1,704	1,809	1,901	1,993	2,074
Proposed Changes:						
Estimated Authorization Level	0	200	200	0	0	0
Estimated Outlays	0	20	120	180	80	0
Spending Under H.R. 1276:						
Estimated Authorization Level	1,987	2,221	2,261	2,104	2,148	2,196
Estimated Outlays	1,644	1,724	1,929	2,081	2,073	2,074

¹The 2003 level is the amount appropriated for that year for the Home Investment Partnership Program. The 2004–2008 levels are baseline projections for the Home Investment Partnership Program, assuming annual adjustments for anticipated inflation.

Intergovernmental and private-sector impact: H.R. 1276 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

Estimate prepared by: Federal costs: Chad Chirico; impact on State, local, and tribal governments: Tori Heid Hall; impact on the private sector: Samuel Kina.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds that the Constitutional Authority of Congress to enact this legislation is provided by Article 1, section 8, clause 1 (relating to the defense and general welfare of the United States), and clause 3 (relating to the power to regulate foreign and interstate commerce).

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

This section provides the short title of the bill, the “American Dream Downpayment Act.”

Section 2. Downpayment assistance initiative under HOME program

This section amends subtitle E of title II of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12821) to grant the Secretary of Housing and Urban Development the authority to make grants to participating jurisdictions (defined as a local community or a State that receives funds under the HOME program) to assist (1) low-income families and (2) municipal uniformed employees and teachers to buy their first home. The participating jurisdictions receiving funds through this program must include a description of how these funds will be used in its comprehensive housing affordability strategy. This strategy includes a plan for (1) conducting targeted outreach to, and (2) ensuring the suitability of, families receiving public housing assistance.

This section also directs the Secretary to develop a formula for the allocation of assistance funds taking into consideration a participating jurisdiction’s need for, and verifiable prior provision of, assistance to homebuyers. The formula may include a minimum and/or a maximum amount to be provided to a participating jurisdiction.

The final provision of the bill gives the Secretary authority to re-allocate funds to other participating jurisdictions if they cannot use all of the money in accordance with the allocation formula. However, if the participating jurisdiction is a local community in a

State that is a participating jurisdiction, the funds will be reallocated to the State instead of according to the formula. This section also authorizes the appropriation of \$200 million for each of fiscal years 2004 and 2005.

Finally, during its deliberations, the Committee discussed the definition of a “single-family” home and agreed to clarify the definition of “single-family”. For the purpose of this Initiative, the Committee intends that the term “single family housing” mean a one- to four-unit dwelling or condominium unit, and will include both real and personal property manufactured homes. Downpayment assistance may include the purchase of a manufactured housing lot on which a qualifying single family home shall be located. The participating jurisdiction may determine whether or not ownership or membership in a cooperative or mutual housing project constitutes homeownership under State law.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

**CRANSTON-GONZALEZ NATIONAL AFFORDABLE
HOUSING ACT**

* * * * *

**TITLE II—INVESTMENT IN AFFORDABLE
HOUSING**

* * * * *

[Subtitle E—Mortgage Credit Enhancement

[SEC. 271. REPORT ON CREDIT ENHANCEMENT.

[(a) IN GENERAL.—The Comptroller General of the United States shall carry out a study of ways in which financing for affordable housing may be made available to assist in the most efficient implementation of comprehensive housing affordability strategies of participating jurisdictions. In conducting the study, the Comptroller General shall draw upon the expertise of such representatives of State and local government, State and local housing finance agencies, agencies of the United States, government-sponsored mortgage finance corporations, for-profit and nonprofit housing developers, private financial institutions, and sources of long-term mortgage investment, as the Comptroller General determines to be appropriate.

[(b) REPORT.—Not later than one year after the enactment of this Act, the Comptroller General shall submit to the Congress and the Secretary a report containing any recommendations for legislative or administrative actions needed to improve the availability of mortgage finance for affordable housing. The report shall include, but need not be limited to, an assessment of—

[(1) the need for the Department of Housing and Urban Development or other agencies of the United States to provide partial credit enhancement to make financing for affordable housing available efficiently and at the lowest possible cost; and

[(2) alternative ways in which—

[(A) the Department could provide any needed credit enhancement on a one-stop basis for participating jurisdictions, in coordination with other forms of assistance under this subtitle;

[(B) the Department or other agencies of the Federal Government could assist government-sponsored mortgage finance corporations in the financing of mortgages on affordable housing through the development of mortgage-backed securities that are more standardized and readily traded in the capital markets;

[(C) the capacities of existing agencies of the United States could be used to provide mortgage finance more efficiently for affordable housing through government-sponsored mortgage finance corporations; and

[(D) the interests of the Federal Government could be protected and any risks of loss could be minimized through requirements for fees, mortgage insurance, risk-sharing, secure collateral, and guarantees by other parties, and through standards relating to minimum capital and prior experience with underwriting, origination and servicing.]

Subtitle E—Other Assistance

SEC. 271. DOWNPAYMENT ASSISTANCE INITIATIVE.

(a) **GRANT AUTHORITY.**—*The Secretary may make grants to participating jurisdictions to assist low-income families to achieve homeownership, in accordance with this section.*

(b) **ELIGIBLE ACTIVITIES.**—

(1) **IN GENERAL.**—*Amounts made available under this section may be used only for downpayment assistance toward the purchase of single family housing by eligible families. For purposes of this title, the term “downpayment assistance” means assistance to help a family acquire a principal residence.*

(2) **ELIGIBLE FAMILIES.**—*For purposes of this section, the term “eligible family” means a family who—*

(A) *is a low-income family and a first-time homebuyer; or*

(B) *notwithstanding the income limitation under section 215(b)(2)—*

(i) *includes a uniformed employee (which shall include policemen, firemen, and sanitation and other maintenance workers) or a teacher who is an employee, of the participating jurisdiction (or an agency or school district serving such jurisdiction) that is providing the downpayment assistance under this section for the family; and*

(ii) *has an income, at the time referred to in subparagraph (A), (B), or (C) of section 215(b)(2), as appropriate, and as determined by the Secretary with adjustments for smaller and larger families, that does not*

exceed 115 percent of the median income of the area, except that, with respect only to such areas that the Secretary determines have high housing costs, taking into consideration median house prices and median family incomes for the area, such income limitation shall be 150 percent of the median income of the area, as determined by the Secretary with adjustments for smaller and larger families.

(c) *HOUSING STRATEGY.*—To be eligible to receive a grant under this section for a fiscal year, a participating jurisdiction shall include in its comprehensive housing affordability strategy under section 105 for such year—

(1) a description of the use of the grant amounts;

(2) a plan for conducting targeted outreach to residents and tenants of public housing, trailer parks, and manufactured housing, and to other families assisted by public housing agencies, for the purpose of ensuring that grant amounts provided under this section to a participating jurisdiction are used for downpayment assistance for such residents, tenants, and families; and

(3) a description of the actions to be taken to ensure the suitability of families provided downpayment assistance under this section to undertake and maintain homeownership.

(d) *FORMULA ALLOCATION.*—For each fiscal year, the Secretary shall allocate any amounts made available for assistance under this section for the fiscal year in accordance with a formula, which shall be established by the Secretary, that considers a participating jurisdiction's need for and prior commitment to assistance to homebuyers. The formula may include minimum and maximum allocation amounts. In considering a participating jurisdiction's prior year's commitment to assistance to homebuyers, the formula shall consider amounts committed to such purpose under the HOME investment partnerships program, the community development block grant program, mortgage revenue bonds, and prior year's funding from State and local governments, provided that the data underlying such funding is uniform, verifiable, and accurate by the State and local government, and shall consider other factors that the Secretary determines to be appropriate.

(e) *REALLOCATION.*—If any amounts allocated to a participating jurisdiction under this section become available for reallocation, the amounts shall be reallocated to other participating jurisdictions in accordance with the formula established pursuant to subsection (d), except that if a local participating jurisdiction failed to receive amounts allocated under this section and is located in a State that is a participating jurisdiction, the funds shall be reallocated to the State.

(f) *APPLICABILITY OF OTHER PROVISIONS.*—

(1) *IN GENERAL.*—Except as otherwise provided in this section, grants under this section shall not be subject to the provisions of this title.

(2) *APPLICABLE PROVISIONS.*—In addition to the requirements of this section, grants under this section shall be subject to the provisions of title I, sections 215(b) (except as provided in subsection (b)(2)(B) of this section), 218, 219, 221, 223, 224, and 226(a) of subtitle A of this title, and subtitle F of this title.

(3) *REFERENCES.*—*In applying the requirements of subtitle A referred to in paragraph (2)—*

(A) any references to funds under subtitle A shall be considered to refer to amounts made available for assistance under this section; and

(B) any references to funds allocated or reallocated under section 217 or 217(d) shall be considered to refer to amounts allocated or reallocated under subsection (d) or (e) of this section, respectively.

(g) ADMINISTRATIVE COSTS.—*Notwithstanding section 212(c), a participating jurisdiction may use funds under subtitle A for administrative and planning costs of the jurisdiction in carrying out this section, and the limitation in section 212(c) shall be based on the total amount of funds available under subtitle A and this section.*

(h) AUTHORIZATION OF APPROPRIATIONS.—*There is authorized to be appropriated to carry out this section \$200,000,000 for each of fiscal years 2004 and 2005.*

Subtitle F—General Provisions

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SEC. 291. RELOCATION ASSISTANCE AND DOWNPAYMENT ASSISTANCE.

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 shall not apply to downpayment assistance under this title.

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DISSENTING VIEWS

The American dream, as conceived by the Nation's founders, has little in common with H.R. 1276, the so-called American Dream Downpayment Act. In the original version of the American dream, individuals earned the money to purchase a house through their own efforts, oftentimes sacrificing other goods to save for their first downpayment. According to the sponsors of H.R. 1276, that old American dream has been replaced by a new dream of having the federal government force your fellow citizens to hand you the money for a downpayment.

H.R. 1276 not only warps the true meaning of the American dream, but also exceeds Congress' constitutional boundaries and interferes with and distorts the operation of the free market. Instead of expanding unconstitutional federal power, Congress should focus its energies on dismantling the federal housing bureaucracy so the America people can control housing resources and use the free market to meet their demands for affordable housing.

As the great economist Ludwig Von Mises pointed out, questions of the proper allocation of resources for housing and other goods should be determined by consumer preference in the free market. Resources removed from the market and distributed according to the preferences of government politicians and bureaucrats are not devoted to their highest-valued use. Thus, government interference in the economy results in a loss of economic efficiency and, more importantly, a lower standard of living for all citizens.

H.R. 1276 takes resources away from private citizens, through confiscatory taxation, and uses them for the politically favored cause of expanding home ownership. Government subsidization of housing leads to an excessive allocation of resources to the housing market. Thus, thanks to government policy, resources that would have been devoted to education, transportation, or some other good desired by consumers, will instead be devoted to housing. Proponents of this bill ignore the socially beneficial uses the monies devoted to housing might have been put to had those resources been left in the hands of private citizens.

Finally, while I know this argument is unlikely to have much effect on my colleagues, I must point out that Congress has no constitutional authority to take money from one American and redistribute it to another. Legislation such as H.R. 1276, which takes tax money from some Americans to give to others whom Congress has determined are worthy, is thus blatantly unconstitutional.

I hope no one confuses my opposition to this bill as opposition to any congressional actions to ensure more Americans have access to affordable housing. After all, one reason many Americans lack affordable housing is because taxes and regulations have made it impossible for builders to provide housing at a price that could be afforded by many lower-income Americans. Therefore, Congress

should cut taxes and regulations. A good start would be generous housing tax credits. Congress should also consider tax credits and regulatory relief for developers who provide housing for those with low incomes. For example, I am cosponsoring H.R. 839, the Renewing the Dream Tax Credit Act, which provides a tax credit to developers who construct or rehabilitate low-income housing.

H.R. 1276 distorts the economy and violates constitutional prohibitions on income redistribution. A better way of guaranteeing an efficient housing market where everyone could meet their own needs for housing would be for Congress to repeal taxes and programs that burden the housing industry and allow housing needs to be met by the free market. Therefore, I urge my colleagues to reject this bill and instead develop housing policies consistent with constitutional principles, the laws of economics, and respect for individual rights.

RON PAUL.

