

HELPING HANDS FOR HOMEOWNERSHIP ACT OF 2004

JUNE 16, 2004.—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

[To accompany H.R. 4363]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 4363) to facilitate self-help housing homeownership opportunities, 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 “Helping Hands for Homeownership Act of 2004”.

SEC. 2. ASSISTANCE FOR SELF-HELP HOUSING PROVIDERS.

Paragraph (1) of section 11(b) of the Housing Opportunity Program Extension Act of 1996 (42 U.S.C. 12805 note) is amended by striking “dwelling” and inserting “dwellings”.

SEC. 3. DESIGNATION OF DOUG BEREUTER SECTION 502 SINGLE FAMILY HOUSING LOAN GUARANTEE PROGRAM.

(a) CONGRESSIONAL FINDINGS.—The Congress finds that—

(1) the Cranston-Gonzalez National Affordable Housing Act, enacted November 28, 1990, established the section 502 single family housing loan guarantee program of the Rural Housing Service of the United States Department of Agriculture;

(2) Congressman Doug Bereuter of Nebraska was the legislative author of the single family housing loan guarantee program;

(3) 316,625 single family loans have been guaranteed under the program since its implementation in 1991;

(4) the program facilitates home ownership for low- to moderate-income borrowers in rural areas and nonmetropolitan communities who are unable to obtain conventional home mortgage financing; and

(5) in 2003, the average income of a borrower with a loan guaranteed under the section 502 guarantee program was \$34,124.

(b) DESIGNATION.—Subsection (h) of section 502 of the Housing Act of 1949 (42 U.S.C. 1472(h)) is amended—

(1) by redesignating paragraphs (1) through (13) as paragraphs (2) through (14), respectively;

(2) by inserting before paragraph (2) (as so redesignated) the following new paragraph:

“(1) SHORT TITLE.—This subsection may be cited as the ‘Doug Bereuter Section 502 Single Family Housing Loan Guarantee Act.’; and

(3) by striking the subsection designation and heading and inserting the following:

“(h) DOUG BEREUTER SECTION 502 SINGLE FAMILY HOUSING LOAN GUARANTEE PROGRAM.—”.

(c) CONFORMING AMENDMENTS.—Subsection (h) of section 502 of the Housing Act of 1949 (42 U.S.C. 1472(h)), as amended by section 2 of this Act, is further amended—

(1) in paragraph (5)(A), by striking “paragraph (12)(A)” and inserting “paragraph (13)”; and

(2) in paragraph (14)—

(A) in subparagraph (A), by striking “GENERAL” and inserting “GENERAL”; and

(B) in subparagraph (E)—

(i) by striking “paragraph (1) and paragraphs (2), (5), (6)(A), (7), and (9)” and inserting “paragraph (2) and paragraphs (3), (6), (7)(A), (8), and (10)”; and

(ii) by striking “paragraphs (1) through (12)” and inserting “paragraphs (2) through (13)”.

PURPOSE AND SUMMARY

H.R. 4363, the Helping Hands for Homeownership Act of 2004, will make a technical correction to the Housing Opportunity Program Extension Act of 1996. This technical correction will allow families who receive homes from groups such as Habitat for Humanity (Habitat) and the Housing Assistance Council (HAC) to fulfill the “sweat equity” requirement for receiving Self-Help Homeownership Opportunity Program (SHOP) funds not only by helping to build their own homes, but also by helping to build other self-help homes in the community. H.R. 4363 will achieve this technical change by striking the word “dwelling” and replacing it with “dwellings” at paragraph (1) of section 11(b) of the Housing Opportunity Program Extension Act of 1996 (42 U.S.C. 12805 note). In addition, the legislation re-designates subsection (h) of section 502

of the National Housing Act of 1949 (42 U.S.C. 1472(h)) as the “Doug Bereuter Section 502 Single Family Housing Loan Guarantee Act.”

BACKGROUND AND NEED FOR LEGISLATION

This legislation contains provisions affecting the Habitat for Humanity program and the Section 502 Single Family Housing Loan Guarantee Program.

SHOP provision

In 1996, Congress created the Self-Help Homeownership Opportunity Program, which provides competitive grants for organizations such as Habitat for Humanity and the Housing Assistance Council to help with land and infrastructure expenses, which are some of the largest obstacles to home building. SHOP funds are crucial in helping organizations such as these to acquire sites for affordable home and community building. In order to receive SHOP funds, the recipients of homes from groups such as Habitat and HAC must contribute a certain amount of physical labor to the home-building process, also known as “sweat equity.” In the FY 2004 (and soon to be FY 2005) Notice of Funds Available for SHOP, HUD for the first time interpreted the law to preclude the families who receive these homes from fulfilling their “sweat equity” requirements by working on program homes other than their own.

This new interpretation is not what Congress intended when it created SHOP and it causes serious problems for self-help housing organizations all over the country. For example, Habitat requires most of its home recipients to contribute 300 to 500 hours of “sweat equity,” an amount far in excess of the Federal government requirements for receipt of SHOP funds. However, Habitat allows its home recipients to obtain these hours by working on Habitat homes for others in the community, as well as their own home. This model is a crucial part of Habitat’s “community building” mission.

Families receiving self-help homes receive much more than a dwelling. These families are part of a community experience involving local volunteers and other homeowners. Withholding SHOP funds from these families and self-help housing groups is contrary to the mission and purpose of the SHOP program. H.R. 4363 will correct a technical flaw and restore the original intent of the SHOP program.

Because of HUD’s new interpretation of the SHOP program legislation that focused on the exact meaning of the word “dwelling” versus “dwellings,” the Committee believes that it should clarify the original Congressional intent of the statute. However, the Committee specifically intends that this clarification should not be interpreted so as to preclude the Administration from imposing any type of regulatory requirements on non-profit providers or their program participants. The Committee’s is concerned that too much flexibility in the program could lead to fraud and abuse. In its 8 years of existence, the SHOP program appears to be operating smoothly without any perception of opportunities for fraud or abuse, which can be attributed to HUD’s diligent oversight of the program. H.R. 4363 corrects a technical flaw in the SHOP program legislation and does not restrict HUD’s regulatory authority.

Section 502 provision

The Cranston-Gonzalez National Affordable Housing Act, enacted on November 28, 1990, established the section 502 single family housing loan guarantee program of the Rural Housing Service of the United States Department of Agriculture. Mr. Bereuter was the legislative author of the section 502 program. Since its implementation, the program has guaranteed 316,625 single-family home loans for low- to moderate-income borrowers in rural and non-metropolitan communities. This legislation recognizes Congressman Bereuter as the legislative author of the single family housing loan guarantee program and renames the program in his honor as Mr. Bereuter will be retiring at the end of August, 2004.

HEARINGS

No hearings were held on this legislation.

COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on June 3, 2004, and ordered H.R. 4363 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. No record votes were taken with in conjunction with the consideration of this legislation. 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:

An amendment by Mr. Oxley, No. 1, designating of the Doug Bereuter Section 502 Single Family Housing Loan Guarantee Program, was agreed to by a voice vote.

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:

The Secretary of Housing and Urban Development will interpret the provisions of the SHOP program so as to permit the fulfillment of "sweat equity" requirements through work conducted on multiple dwellings.

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 finds that this legislation

would result in no new budget authority, entitlement authority, or tax expenditures or revenues.

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, June 14, 2004.

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

DEAR CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 4363, the Helping Hands for Homeownership Act of 2004.

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

Sincerely,

ELIZABETH ROBINSON
(For Douglas Holtz-Eakin, Director).

Enclosure.

H.R. 4363—Helping Hands for Homeownership Act of 2004

H.R. 4363 would amend the Housing Opportunity Program Extension Act of 1996 to allow Self-Help Homeownership Opportunity grant recipients to contribute sweat equity to multiple dwellings rather than just their own. The bill also would rename a Rural Housing Service loan guarantee program after Congressman Doug Bereuter.

CBO estimates that implementing H.R. 4363 would have no significant effect on the budget and would not affect direct spending or revenues.

H.R. 4363 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Chad Chirico. This estimate was 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 general welfare of the United States) and clause 3 (relating to the power to regulate 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 establishes the short title of the bill, the “Helping Hands for Homeownership Act of 2004.”

Section 2. Assistance for self-help housing providers

This section changes one word in paragraph (1) of section 11(b) of the Housing Opportunity Program Extension Act of 1996 (42 U.S.C. 12805 note) to allow recipients of self-help housing to fulfill their “sweat equity” requirement for SHOP funds by contributing physical labor not only to the building of their own home, but also to the building of homes for other self-help housing recipients.

In administering this program, the Committee believes that HUD should continue to set reasonable parameters to ensure that legitimate national and regional organizations have the capacity to implement SHOP in their communities. While neither this report nor the 1996 Committee report on the original legislation defines “sweat equity,” the Committee believes that HUD should develop a reasonable definition that is flexible enough to incorporate the Habitat for Humanity model of building a community of homes through the labor of the potential homeowners and community volunteers.

For example, one such definition could contemplate that each potential homeowner is provided training for a particular home-building task (e.g., hanging drywall), which training is then committed to not only the specific homeowner’s intended dwelling but also to the collection of other homes built under the same program in the community. The Committee believes that this type of approach enhances a community as well as provides skills training to program participants. The original intent of the SHOP legislation was not to define “sweat equity” in such a way as to preclude program participants from contributing actual labor to the development and building of program homes in the community other than their own. The Committee believes that HUD can strike the bal-

ance between the various SHOP models and this Congressional intent.

Section 3. Designation of Doug Bereuter Section 502 Single Family Housing Loan Guarantee Program

This section makes findings related to the single family housing loan guarantee program and re-designates subsection (h) of section 502 of the National Housing Act of 1949 (42 U.S.C. 1472(h)) as the “Doug Bereuter Section 502 Single Family Housing Loan Guarantee Act.”

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):

**SECTION 11 OF THE HOUSING OPPORTUNITY PROGRAM
EXTENSION ACT OF 1996**

SEC. 11. ASSISTANCE FOR SELF-HELP HOUSING PROVIDERS.

(a) * * *

(b) GOALS AND ACCOUNTABILITY.—In making grants under this section, the Secretary shall take such actions as may be necessary to ensure that—

(1) assistance provided under this section is used to facilitate and encourage innovative homeownership opportunities through the provision of self-help housing, under which the homeowner contributes a significant amount of sweat equity toward the construction of the new [dwelling] *dwelling*s;

* * * * *

SECTION 502 OF THE HOUSING ACT OF 1949

LOANS FOR HOUSING AND BUILDINGS ON ADEQUATE FARMS

SEC. 502. (a)(1) * * *

* * * * *

[(h) GUARANTEED LOANS.—]

(h) DOUG BEREUTER SECTION 502 SINGLE FAMILY HOUSING LOAN GUARANTEE PROGRAM.—

(1) SHORT TITLE.—This subsection may be cited as the “Doug Bereuter Section 502 Single Family Housing Loan Guarantee Act”.

[(1)] (2) AUTHORITY.—The Secretary shall, to the extent provided in appropriation Acts, provide guaranteed loans in accordance with this section, section 517(d), and the last sentence of section 521(a)(1)(A), except as modified by the provisions of this subsection. Loans shall be guaranteed under this subsection in an amount equal to 90 percent of the loan.

[(2)] (3) ELIGIBLE BORROWERS.—Loans guaranteed pursuant to this subsection shall be made only to borrowers who are low or moderate income families or persons, whose incomes do not

exceed 115 percent of the median income of the area, as determined by the Secretary.

[(3)] (4) ELIGIBLE HOUSING.—Loans may be guaranteed pursuant to this subsection only if the loan is used to acquire or construct a single-family residence that is—

(A) * * *

* * * * *

[(4)] (5) PRIORITY AND COUNSELING FOR FIRST-TIME HOME-BUYERS.—

(A) In providing guaranteed loans under this subsection, the Secretary shall give priority to first-time homebuyers (as defined in [paragraph (12)(A)] *paragraph (13)*).

* * * * *

[(5)] (6) ELIGIBLE LENDERS.—Guaranteed loans pursuant to this subsection may be made only by lenders approved by and meeting qualifications established by the Secretary.

[(6)] (7) LOAN TERMS.—Loans guaranteed pursuant to this subsection shall—

(A) * * *

* * * * *

[(7)] (8) GUARANTEE FEE.—With respect to a guaranteed loan under this subsection, the Secretary may collect from the lender at the time of issuance of the guarantee a fee equal to not more than 1 percent of the principal obligation of the loan.

[(8)] (9) REFINANCING.—Any guaranteed loan under this subsection may be refinanced and extended in accordance with terms and conditions that the Secretary shall prescribe, but in no event for an additional amount or term which exceeds the limitations under this subsection.

[(9)] (10) NONASSUMPTION.—Notwithstanding the transfer of property for which a guaranteed loan under this subsection was made, the borrower of a guaranteed loan under this subsection may not be relieved of liability with respect to the loan.

[(10)] (11) GEOGRAPHICAL TARGETING.—In providing guaranteed loans under this subsection, the Secretary shall establish standards to target and give priority to areas that have a demonstrated need for additional sources of mortgage financing for low and moderate income families.

[(11)] (12) ALLOCATION.—The Secretary shall provide that, in each fiscal year, guaranteed loans under this subsection shall be allocated among the States on the basis of the need of eligible borrowers in each State for such loans in comparison with the need of eligible borrowers for such loans among all States.

[(12)] (13) DEFINITIONS.—For purposes of this subsection:

(A) * * *

* * * * *

[(13)] (14) GUARANTEES FOR REFINANCING LOANS.—

(A) IN [GENERAL] *GENERAL*.—Upon the request of the borrower, the Secretary shall, to the extent provided in appropriation Acts and subject to subparagraph (F), guarantee a loan that is made to refinance an existing loan that is made under this section or guaranteed under this

subsection, and that the Secretary determines complies with the requirements of this paragraph.

(B) * * *

* * * * *

(E) OTHER REQUIREMENTS.—The provisions of the last sentence of **¶**paragraph (1) and paragraphs (2), (5), (6)(A), (7), and (9) *paragraph (2) and paragraphs (3), (6), (7)(A), (8), and (10)* shall apply to loans guaranteed under this paragraph, and no other provisions of **¶**paragraphs (1) through (12) *paragraphs (2) through (13)* shall apply to such loans.

* * * * *