OVERSIGHT OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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OVERSIGHT OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Wednesday, June 27, 2018

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

The committee met, pursuant to notice, at 10:04 a.m., in room 2128, Rayburn House Office Building, Hon. Jeb Hensarling [Chairman of the committee] presiding.

Present: Representatives Hensarling, Royce, Lucas, Pearce, Posey, Luetkemeyer, Huizenga, Duffy, Stivers, Hultgren, Pittenger, Wagner, Barr, Rothfus, Tipton, Williams, Poliquin, Love, Hill, Emmer, Zeldin, Trott, Loudermilk, Mooney, MacArthur, Davidson, Budd, Kustoff, Tenney, Hollingsworth, Waters, Velazquez, Sherman, Meeks, Capuano, Clay, Lynch, Scott, Green, Cleaver, Ellison, Perlmutter, Himes, Foster, Kildee, Delaney, Sinema, Beatty, Heck, Vargas, Gottheimer, and Crist.

Chairman HENSARLING. The committee will come to order. Without objection, the Chair is authorized to declare recess of the committee at any time and all members will have 5 legislative days within which to submit extraneous materials to the Chair for inclusion in the record.

The hearing is entitled, "Oversight of the Department of Housing and Urban Development."

I now recognize myself for 3–1/2 minutes to give an opening statement.

As we all know, HUD was established over 50 years ago. When it was established, President Johnson said it was central to the war on poverty. But, unfortunately, 50 years later, not to mention $1.6 trillion later, the poverty level in our country has barely changed.

There is no doubt that HUD programs help a number of our citizens and are a critical part of the Nation's social safety net. But, when I look at the data and when I look into the faces of our fellow citizens, who seem to be trapped in lives of dependency, it's hard not to conclude that HUD has failed far too many for far too long.

It doesn't appear to be from lack of resources. Over the last 20 years, the HUD budget has doubled; whereas, the family budget, which pays for it, has increased less than double digits. In fact, HUD's budget has grown faster than almost every other Federal budget function, including Social Security, education, and national defense.

HUD resources have not been the challenge; HUD focus and success has been. Again, when President Johnson helped launch HUD, he said its purpose was quote, “not only to relieve the symptoms of poverty, but to cure it and, above all, prevent it.”

Secretary Carson, I want to applaud you and this Administration, not only for your efforts to attempt to root out discrimination, to promote affordable housing, but very, very importantly to help able-bodied citizens achieve President Johnson’s goal and achieve lives of dignity and self-respect that comes from self-sufficiency.

We know that these fellow citizens are not liabilities. They are our Nation’s assets. We want them to feel wanted and needed in society, and to realize their full potential of their God given talents. When it comes to home affordability, we know there is no better home affordability program than a growing economy with a good job.

Fortunately, under the policies of this Administration and this Congress, 1 million new jobs have been created. Unemployment is near a 50-year low. We see rising incomes the best, healthiest in a decade. Bonuses, millions have gotten thousand dollar bonuses or better. Some may view that as crumbs, others believe it is a core of a home down payment.

Now, Secretary Carson, I want to speak briefly on the tenor of political debate in our society today. I do not know how you will be treated in this hearing. I know on previous occasions, members of this committee believe that witnesses should quote, “be treated fairly,” should quote, “be shown courtesy,” should quote, “be allowed to answer questions,” and quote, “be shown respect.”

We will allow the public to determine whether members who have demanded that in the past live up to their words today. I think we all know that words matter. I know that Steve Scalise believes this; and, if you listened to him yesterday, you would know how passionately he does. I am not sure there is any member of the House who has greater credibility on the subject.

For those who daily promote diversity, I would call upon them to respect diversity of opinion, which is the single most important form of diversity in a free and democratic society. I also lament, as I look back, that there was a time in America’s history where you could be denied service in a restaurant based on the color of your skin. Now, apparently, it’s the color of your voter registration card.

To all my colleagues, particularly those who disagree with my political views, I don’t own a restaurant. But, if I owned a restaurant in Dallas, I want you to know, you would be welcome there and I would be proud to be seen with you. If you come to Dallas, I would be glad to take you to one. You can pick it; Tex-Mex or barbeque, take your pick.

As we eat, please know I would not yield you the moral high ground. I would not lessen my passion for individual liberty and economic opportunity. But, I would listen carefully to your views and I would seek common ground with you. Should my supporters be in that restaurant, the only thing I would call on them to do would be to show you respect and to surround you with Texas friendly hospitality.

I yield back the balance of my time.

I now recognize the gentlelady from California, Ms. Waters, the Ranking Member, for 3 minutes.

Ms. WATERS. Thank you very much, Mr. Chairman.

Mr. Chairman, since Secretary Carson was last before this committee, he has taken actions and issued proposals that are deeply problematic and harmful for vulnerable families and hard-working Americans. He has released an outrageous plan that will triple rents of the lowest income households and put 1.7 million Americans at risk of eviction and homelessness.

He has also embraced steep budget cuts to important programs. The Trump Administration's latest budget request to Congress would cut HUD's budget by 24 percent compared to current levels and would eliminate the Community Development Block Grant (CDBG) and the HOME Investment Partnerships Program. I am also very concerned about the actions Secretary Carson has taken to undermine fair housing in this country.

Secretary Carson has stopped the implementation of HUD's Affirmatively Furthering Fair Housing (AFFH) rule, which requires the Federal agencies and recipients of Federal housing funds take proactive steps to affirmatively further fair housing. According to news reports, he has brought a halt to fair housing investigations and enforcement actions. He has even proposed taking the phrase, "inclusive and sustainable communities free from discrimination," out of HUD's mission statement.

To address these harmful actions, I have introduced legislation to restore the Fair Housing protections that Secretary Carson and the Trump Administration have eliminated. H.R. 6220, the Restoring Fair Housing Protections Eliminated by HUD Act of 2018 responds directly to each action that Secretary Carson has taken to undermine Fair Housing. Congress should not stand by while the agency charged with ensuring Fair Housing turns its back on its mission, and takes actions that roll back critical protections that ensure that all Americans have fair access to housing.

I thank the Secretary for coming today. I look forward to hearing his testimony on these important issues. As to the Chairman's comments about civility and about what he would do if he owned a restaurant.

Let me just say that I think every reasonable person has concluded that the President of the United States of America has advocated violence. He has been divisive. He has been the one that has caused what we see happening today, where people are trying to push back on his policies and where people are trying to have peaceful protests instead of violence, but he continues to call names and he continues to challenge people in very violent ways.

I will quote to you some of his said—sayings. In his campaign, I quote, he said, "I would like to knock the crap out of them." Further, he said, "You know what they used to do to guys like that when they were in a place like this? They would be carried out on a stretcher, folks."

In addition to that, he also talked about the fact that if someone was hurt while they were being assaulted—as he was encouraging them to do—he said this, "If you see somebody getting ready to throw a tomato, knock the crap out of them," and, "would you? Seriously." Trump said, "OK, Just knock them the hell out—I promise, I will pay for the legal fees. I promise. I promise."

Mr. Chairman, if you want to talk about civility, you start with the President of the United States. You implore him not to continue to promote violence, not to continue to promote divisiveness. He would be a better example and people would follow a better example, rather than get trapped into what he is advocating which is pure violence. I yield back the balance of my time.

Chairman HENSARLING. Gentlelady yields back. The Chair now recognizes the gentleman from Wisconsin, Mr. Duffy, Chairman of the Housing and Insurance Subcommittee, for 1–1/2 minutes.

Mr. DUFFY. Thank you, Mr. Chairman. We don't take responsibility for our own actions. We should blame somebody else for our poor behavior and our incitement of violence.

Mr. Secretary, welcome. I want to thank you for coming to Wisconsin and participating in our Homelessness and Hunger Summit. Coming to Wisconsin in January is not always the time that people choose to come and see us; but, to rural Wisconsin, we had 400 people that came to hear you speak. I am grateful for your participation.

I want to take a moment and just talk about some of the things that we have been working on in the Housing and Insurance Subcommittee with your partnership, focusing on homelessness and low-income housing. We have done that over the last couple of months together. It is fascinating when we have common interests, the things that we can actually do together on a bipartisan level, which we have done.

We have voted bills such as the Family Self-Sufficiency Act and the Housing Choice Voucher Mobility Demonstration Act with unanimous votes. Bipartisanship can actually happen when we work together and with your participation. We do great things in this committee when everyone does work together, including, again, working with HUD.

Again, I am grateful for your participation. It is wonderful when our aim is working on programs that lift people up and out of poverty. We shouldn't measure success—and you always talk about this, Mr. Secretary, don't measure success by how much money we actually spend, but what impact our programs have on people's lives. What opportunity do we give them? How do we give them a hand-up into self-sufficiency?

I am looking forward today to your testimony, but also hearing about your story and how you lifted yourself up, whether it was with support and opportunity that brought you to this committee today. My time is up and I yield back.

Chairman HENSARLING. The Chair now recognizes the gentleman from Michigan, Mr. Kildee, a member of the Housing and Insurance Subcommittee, for 1 minute.

Mr. KILDEE. Thank you, Mr. Chairman. Mr. Secretary, I recently started an initiative in Congress titled, "The Future of America's Cities and Towns." You and I discussed some of this in your office a couple of months back. I want to just encourage you to engage on this subject.

We have a whole subset of American cities that have continued to decline during periods of growth and in periods of recession. They seem to be consistently falling to the bottom. This is not an accident; it's the result of policy at every level of government.

I would just implore you to join with us in calling attention to the needs of a whole set of American cities and towns that continue to struggle. We have tools available, but not robust enough tools.

Before I yield, though, I feel obligated to comment on the comments of the Chair. I share his concern about the tone of public dialog. But, I will say this, I am very frustrated to see the ease with which some members of this body are willing to criticize some on the other side of the aisle but not their own.

I have criticized my colleagues where I think they have gone the wrong path. But I fear that I see so many who are suddenly invertebrate when it comes time to criticize the chief architect of the devolution of our public dialog, and that is the President of the United States.

Chairman HENSARLING. Time of the gentleman has expired. The Chair apologizes to the gentleman from Missouri. I should have recognized him first. But the Chair now recognizes the gentleman from Missouri, Mr. Cleaver, the Ranking Member of the Housing and Insurance Subcommittee for 1 minute.

Mr. CLEAVER. Thank you, Mr. Chairman. Thank you, Mr. Secretary. Yesterday, the Subcommittee on Housing and Insurance had a very interesting committee hearing. We dealt with the issue of lead paint. I know that there were some final rules, I think put in place last year in 2017.

Having lived in public housing and knowing the dangers of lead paint and that it tastes sweet, which means it's a perfect invitation to kids, we in the committee on both sides of the aisle yesterday became very concerned. We had the I.G. here. The I.G. was very critical of HUD in some areas as it relates to the lead paint issue.

I talked about yesterday, putting a 10-year plan together and declaring war on the end of lead-based paint in public housing. That was one of the things that he criticized HUD on, not having a goal in terms of dealing with this. I will probably continue it later in this meeting today.

Thank you, Mr. Chairman. I will continue, however, if?

Chairman HENSARLING. Time of the gentleman has expired. Today, we welcome back to the committee, the Honorable Dr. Ben Carson, Secretary of the Department of Housing and Urban Development. Secretary Carson has appeared before our committee before, so we will forgo the usual introduction.

Secretary Carson, again, welcome. You are now recognized for 5 minutes to give an oral presentation of your testimony.

STATEMENT OF HON. BEN CARSON

Secretary CARSON. Thank you, Mr. Chairman and Ranking Member Waters. Members of this committee, thank you for inviting me to testify this morning. HUD has made tremendous progress since I testified in October. I am so pleased to have this opportunity to update you on those developments and to discuss other innovative solutions to our Nation's housing and community development challenges.

June is National Healthy Homes Month, an important recognition of the significance of the home to our overall health. Prior to becoming HUD's Secretary, I was a doctor. In the course of treating countless young children, I knew I could treat the patient's symptoms or I could treat the patient. The patient's home must be a part of a holistic approach to treating that patient because you can't be healthy if your home is sick.

June is also National Homeownership Month. Central to HUD's efforts to support responsible homeownership are the programs at the Federal Housing Administration. FHA's mission is to support sustainable home ownership in good times and in bad. Maintaining the health of FHA's single-family insurance fund is critical if we are to continue to be an affordable source of credit for first-time, low- and moderate-income, and minority homebuyers. Managing taxpayer risk requires technology and FHA can no longer put off substantial investments in our systems, some of which are built on platforms over four decades old.

This year marks the 50th anniversary of the passage of the Fair Housing Act. HUD has, is now, and will continue to rigorously protect people from discrimination, regardless of their color, race, national origin, religion, sex, disability, or family status. Each year, we receive approximately 8,000 Fair Housing complaints, and, each year, HUD and our Fair Housing partners continue to enforce the letter and spirit of this landmark law.

Earlier this month, I formally launched the first EnVision Center in Detroit and announced 16 additional demonstration sites across the Nation. EnVision centers offer HUD-assisted families access to a range of support services to move their lives on to a stronger financial footing and help them along the road to self-sufficiency.

EnVision Centers fulfill one of the basic principles that guide this Administration: Leveraging limited public-sector resources with those in private, philanthropic, nonprofit, and faith-based organizations.

One of the most consequential policy reforms for which we are seeking the committee's support is a proposal to reform the rental assistance programs administered by HUD. HUD currently serves 4.7 million low-income families, more than half of whom are seniors and persons living with disabilities.

HUD's complex rent policies have remained largely unchanged since the early 1980's. In April, the Administration proposed a simplified structure that offers a more transparent and predictable rent calculation that is easier to understand for landlords and tenants alike.

I would very much welcome having a long-overdue conversation with members of this committee about how we can provide meaningful, dignified assistance to those we serve.

We are now in the midst of another hurricane season while we continue the long process of recovering from last year's devastating storms. Since Hurricanes Harvey, Irma, and Maria made landfall and wildfires impacted California, HUD has awarded more than $35 billion through the department's Community Development Block Grant Disaster Recovery Program. These grants will support recovery in hard-hit areas in nine States, Puerto Rico, and the U.S. Virgin Islands, addressing unmet housing, business, and infrastructure needs in the impacted areas.

In addition, a substantial amount of these recovery dollars will be invested in making disaster-prone areas stronger, making it possible for them to weather future disasters.

Taxpayers support HUD's mission, and they expect us to use their moneys wisely, maximizing the impact of every dollar and minimizing waste. Since becoming Secretary, I have been intensely mindful of our responsibility to fulfill our mission as responsible stewards of their hard-earned dollars.

In March, I took a number of important steps to strengthen the financial integrity of the agency and correct lax internal processes and controls. Central to this effort is HUD's Chief Financial Officer, Irving Dennis, who joined the department in January after a distinguished career in the private sector. I have directed Irv to design and implement a transformation plan and lead an internal taskforce to combat waste, fraud, and abuse. We simply need to do better, and we will.

In conclusion, Mr. Chairman, HUD is committed to safe, fair, and affordable housing for the American people. It also acts as a stepping stone to opportunity and self-sufficiency so that families can graduate from assisted housing to economic independence.

I am eager to work with Congress and all the members of this committee in achieving these worthy goals and to better serve our fellow Americans.

[The prepared statement of Secretary Carson can be found on page 60 of the appendix.]

Chairman HENSARLING. Thank you, Mr. Secretary. The Chair now yields to himself 5 minutes for questions.

Mr. Secretary, you talked about using the taxpayer funds wisely. My guess is most taxpayers would be willing to spend more if they saw results.

I am concerned when I hear, for example, what the Ranking Member, the gentleman from Missouri, alluded to in a subcommittee hearing yesterday—I think I have the numbers right—that the taxpayers spent about $1.5 billion over the last 10 years on mold and lead paint remediation, and we have absolutely no data to show that any of this is working. I continue to encourage you, Mr. Secretary, we need to have metrics of progress.

Section 8 is the main housing program that you oversee. We know that there are a lot of elderly people with Section 8 vouchers. We know there's a number of disabled, but there's also able-bodied people who need to have paths to independence. Again, I am curious—and I have been on this committee a long time, and I have yet to see HUD develop any metric of success. You grew up in poverty. You know it better than most, but yet you escaped that. We need to know what worked.

What is HUD doing to change the metrics of that success from simply taxpayer money into lives changed? Can you tell this committee where you are on that?

Secretary CARSON. Yes, thank you for that question. Obviously, in medicine, we are very focused on metrics. The reason that life expectancy in this country has gone up so much is because we looked at data and looked at evidence and changed policies and medicine for that reason.

The same thing is happening at HUD right now. We are looking at actual data. We are developing longitudinal dashboards so that we can follow a person over the course of time and determine how many more children are reading at grade level, how many more people are graduating from high school or getting their GEDs, how many more people are moving on to an advanced education.

Chairman HENSARLING. Mr. Secretary, what is the timetable here? When can this committee expect to see some results on the metrics you are creating?

Secretary CARSON. I would expect to be able to see something within a year or two, but it has to be done on a longitudinal basis.

Chairman HENSARLING. OK. I would encourage the department to move even more rapidly. Let me move rapidly myself.

HUD recently issued an advance notice of proposed rulemaking dealing with its intent to reconsider the 2013 Disparate Impact Rule. With regard to that, Treasury issued a report in October 2017 that reads in part, quote, "treasury recommends that HUD reconsider its use of the Disparate Impact Rule. In particular, HUD should consider whether the Disparate Impact Rule as applied is consistent with McCarran-Ferguson and existing State law. HUD should also consider whether such a rule would have a disruptive effect on the availability of homeowners insurance and whether the rule is reconcilable with actuarially sound principles."

Mr. Secretary, are you familiar with this provision of the Treasury report?

Secretary CARSON. Yes.

Chairman HENSARLING. I guess I have two questions, then. Number one, given the legal parameters established by McCarran-Ferguson, which I believe in as Chairman, what legal authority, if any, does HUD have to regulate the business of insurance?

My second question would be, what State regulatory practices has HUD identified that fails to protect consumers from discrimination?

Secretary CARSON. Obviously, we are very concerned about discrimination of any type, whether it be in insurance, whether it be in assessing property values, no matter what it is.

The responsibility that we have is the oversight of entities that do business with HUD. We are in a process of looking carefully at the matter that you just talked—

Chairman HENSARLING. But again, do you have legal authority, under McCarran-Ferguson, to regulate the business of insurance, which it appears you are attempting to do? Because I am having a hard time seeing it, Mr. Secretary.

Secretary CARSON. No, that is not our business.

Chairman HENSARLING. That is not your business?

The second part of the question: Has HUD identified any States that they believe are inadequate in protecting their consumers from housing discrimination? If so, would you please name those States?

Secretary CARSON. I would not be able to tell you specifically States that are doing that.

Chairman HENSARLING. Does that mean, Mr. Secretary, that HUD has not identified them, or you simply don't have that information in front of you?

Secretary CARSON. I don't have such information.

Chairman HENSARLING. Does HUD have such information?

Secretary CARSON. I am not particularly convinced that that is where the energies of HUD should be directed.

Chairman HENSARLING. My time has expired.

The Chair now recognizes the Ranking Member.

Ms. WATERS. Thank you very much.

We continue to face substantial challenges when it comes to fair housing in America. Revealed from the Center for Investigative Reporting, recently found that in 61 metro areas, applicants of color were more likely to be denied a conventional mortgage, with black borrowers facing the toughest challenges.

Let me just ask you a question. You said you are concerned about discrimination. Do you believe that housing discrimination continues to be a serious problem in this country?

Secretary CARSON. There is no question that there still is discrimination in our country.

Ms. WATERS. Do you believe it's a serious problem?

Secretary CARSON. Any time you see discrimination, it's a serious problem.

Ms. WATERS. You do believe it's a serious problem that discrimination does exist?

Secretary CARSON. I believe that we have a responsibility to identify and continue to attack discrimination where it occurs. The activity in that regard at HUD has not slowed down at all.

Ms. WATERS. I understand that. I am just trying to find out whether or not you believe there is serious discrimination in this country.

Secretary CARSON. I believe any discrimination is serious.

Ms. WATERS. Let me get to the proposal on your rent increases. You released a proposal to drastically raise rents and impose arbitrary work requirements on low-income families. Many of us have heard directly from our constituents who are residents of public and assisted housing about how harmful this proposal would be to them and their families.

But in a recent interview, you appeared to take a step back from this proposal, claiming, and I quote, "the reason we had to consider raising rents at all is because we are dealing with a $41 billion budget. Now that that budget has been changed, the necessity for doing that is not urgent," quote/unquote.

Before we get into some of the details of your proposal, I want to start by asking you, do you stand by your so-called, quote, "Making Affordable Housing Work Act" that would triple rents on the lowest-income families? Are you here today to continue to urge Congress to pass this harmful proposal?

Secretary CARSON. First of all, recognize that when you talk about tripling rent, you are talking about the minimum rent of $50. That would potentially go up to $150.

Ms. WATERS. Yes, I am talking about tripling.

Secretary CARSON. Relatively few people who are HUD assisted actually pay that, so that has been blown way out of proportion.

In terms of the budget, obviously, we have to be concerned about fiscal responsibility, as well as compassion. We have to do what we need to do in order to make the budget fit.

What I was most concerned—

Ms. WATERS. Look, I want to thank you and I just have to reclaim some time.

Your answer is that you had a budget problem, basically, and you thought one way to meet that was by tripling the rent, is that correct?

Secretary CARSON. No. What is correct is that I had to do everything I could to make sure that we didn't have to increase the rent on the disabled and—

Ms. WATERS. Reclaiming my time.

Secretary CARSON. Upon the elderly people.

Ms. WATERS. Reclaiming my time, Mr. Secretary.

You did attempt to increase the rents and you moved back on it—to triple the rent.

Now that we have that cleared up, I would also like to clarify your rationale for offering the proposal. You have claimed that this proposal was intended to increase self-sufficiency. There is simply no evidence to support that claim. You have also claimed that it was only proposed to address shortages in HUD's budget, but you yourself have called for cutting the budget.

What is the real reason for this proposal? You can see what I am saying. If you gave as the excuse for tripling the rents was because you have a budget problem, but yet you were initiating budget cuts. How do you justify that?

Secretary CARSON. That is not the only reason for increasing rents. If you will recall, Secretary Donovan advocated exactly the same thing—

Ms. WATERS. Reclaiming my time. I am not talking about Secretary Donovan.

Secretary CARSON. During the previous Administration.

Ms. WATERS. Reclaiming my time. I am not talking about Secretary Donovan, I am talking about you. I am talking about your attempts to triple the rents on the most vulnerable in our society.

Stepping back—and the reason that you gave was that you had budget problems, yet you advocated cutting the budget. I want to know how you reconcile that.

Secretary CARSON. The reason that we advocated that, and the reason that the previous Administration advocated that, is that it would give people more skin in the game and encourage them to bring in more income into their household.

Ms. WATERS. You are no longer backing this proposal due to increased appropriations for HUD's budget from Congress, is that correct?

Secretary CARSON. This proposal is a starting point in the conversation. Congress—

Ms. WATERS. Are you continuing—

Secretary CARSON. I'll make the final decision about that.

Ms. WATERS. To back the proposal or not, Mr. Secretary?

Secretary CARSON. Excuse me?

Ms. WATERS. Are you continuing to back that proposal?

Secretary CARSON. Of course we continue to back our proposals.

Ms. WATERS. Thank you.

And you continue to advocate the steep cuts in HUD's budget, is that right?

Secretary CARSON. I continue to advocate fiscal responsibility as well as compassion. I don't think the two things are mutually exclusive.

Ms. WATERS. Thank you. Your so-called Making Affordable Housing Work Act would triple rents on the lowest-income families. The typical household affected by the minimum rent increase from your proposal would be a single mother of two, earning a median income of $2,400 a year, or just $200 a month. After paying $150 for rent, she would be left with just $50 to stretch for the month for diapers, toiletries, bus fare, and other necessities.

Do you honestly believe that your proposal would help a family like this? How can you expect a child to succeed in school or a working parent to maintain employment when they are struggling to afford basic necessities?

Secretary CARSON. Are you interested in an answer?

Ms. WATERS. Are you interested in giving one?

Secretary CARSON. I will give one if you would allow me to do so.

Ms. WATERS. I stopped, didn't I? That means that you have an opportunity to respond, if you will. If you are just buying for time, then I will yield back my time and you won't get a chance to answer.

I yield back the balance of my time.

Chairman HENSARLING. Gentlelady yields back the balance of her time.

The Chair now recognizes the gentleman from Wisconsin, Mr. Duffy, Chairman of the Housing and Insurance Subcommittee.

Mr. DUFFY. Thank you, Mr. Chairman.

Mr. Secretary, I am not going to pepper you with questions and then when you try to answer, reclaim my time. You were just asked a number of questions by the Ranking Member. Would you like an opportunity to respond to the questions that you just received?

Secretary CARSON. That would be very useful.

Mr. DUFFY. Have at it.

Secretary CARSON. All right. In fact the reason that we have offered a rent reform proposal is because there are so many perverse things in the system that exist now that really hasn't been changed for many decades. We need to be able to respond to those because we want people to actually be able to move out of assisted housing, and to realize the potential that God gave to each individual.

Mr. DUFFY. You are saying you want people to actually be self-sufficient?

Secretary CARSON. Exactly.

Mr. DUFFY. Get out of the program?

Secretary CARSON. Exactly.

Mr. DUFFY. Not spend a lifetime in the program?

Secretary CARSON. That is exactly right.

Mr. DUFFY. Oh? Interesting.

Secretary CARSON. That is one of the reasons, for instance, in that proposal—which is something that many people don't want to talk about—we have increased the amount of time to 3 years that you have to reaffirm your income, upon which the rent is based.

That way, you are not discouraged from taking that raise. You are not discouraged from going out and getting a better job. You are not discouraged from getting married, bringing in another income into that family. Those are the kinds of things that are perverse incentives that have kept people mired in poverty. We want to change those things.

Mr. DUFFY. Now, Secretary Carson, by chance do you have any life experience that might lead you to the conclusion that it's helpful to move yourself out of assistance and into self-sufficiency? Or, were you born and raised in the finest neighborhoods of your community?

Secretary CARSON. I have had much experience living in dire poverty.

Mr. DUFFY. In dire poverty?

Secretary CARSON. Actually being homeless and being at the mercy of relatives to take us in for 6 years, while my mother worked two to three jobs at a time. But my mother was a very wise person and she recognized what was necessary. She didn't listen to a lot of people who were bemoaning their circumstances. She always told us what we could do, rather than what we couldn't do.

But what happens now is a lot of people have become victimized. They believe that someone else is in control of their destiny, that the American Dream is not for them. This is something that we want to change. I know that goes against the status quo. I know that many people believe that anything that you do that changes that dependent status is evil, and is mean, and that you are working against the people. But the fact of the matter is that is absolutely not the case.

A lot of those people who say you hate poor people. Why are you doing this? What is it about your history that made you like that? Is it maybe the fact that I did grow up in those circumstances, and see the problems that were associated, and see what things got people out of those situations?

Is it perhaps because I became a pediatric neurosurgeon, and spent countless hours trying to save young children's lives? Is it maybe the fact that I developed a program at Hopkins where brought in 700 to 800 students at a time to talk to them about how they can improve their lives? Is it about the fact that maybe my wife and I started the scholarship program, which is available in all 50 States now, that recognizes not only academic achievement, but humanitarian qualities, because we want to develop leaders of our country who are not only smart, but who care about other people?

Maybe those are the things that make people think that I hate people.

Mr. DUFFY. By chance so you—well said, Dr. Carson. You come from the poorest of the poor. You have become a world-renowned neurosurgeon, saving children's lives. Something must have gone right in your life to bring you from where you started to where you ended up.

Maybe you could have taken the lessons of that success story, and now be in a great place to actually implement those lessons and help other young people become the next Ben Carson. Is that a fair enough assessment?

Secretary CARSON. That is a very fair assessment. I would hope at some point that many people who are oppositional would actually stop and spend time discussing with us what we are doing. I think they would recognize that it is not a useful thing to just harp on the talking points of those who oppose people—

Mr. DUFFY. Secretary Carson, I only have 20 seconds left. You talk about your mom a lot. I know you just lost her as well, and I am sorry for your loss. But if you were acting uncivil and you told your mother, but, mom, I am acting uncivil because someone else was uncivil to me. What would she say to you?

Secretary CARSON. She would say, your guidance should be what is right and not what other people do.

Mr. DUFFY. I yield back.

Chairman HENSARLING. Time of the gentleman has expired.

The Chair now recognizes the gentleman from Missouri, Mr. Cleaver, Ranking Member of our Housing and Insurance Subcommittee.

Mr. CLEAVER. Thank you, Mr. Chairman.

I want to return to the whole issue of lead-based paint. Unless I misunderstood the committee yesterday, I think everyone was pretty much on the same page with our concern that the Government, before any of us were involved, did outlaw lead-based paints in 1978 I think, or thereabouts.

I think we have made significant progress. But I think that the report shows that there are about 4 million children in the United States who are still living in and around lead-based paint. I believe, and I said this in the subcommittee hearing yesterday, that we can fix this problem.

I think the I.G. has laid out some recommendations—or, well, he pointed out some flaws. But we can use those as recommendations to move forward. One of them he said we liked, adequate oversight of lead-based paint reporting and remediation.

If we can start there, is there—there's a committee in place, I think they met last in 2018, in February dealing with this issue. Do you have any progress report on where they are? I am assuming—because it's at multi—

Secretary CARSON. Multi-agency.

Mr. CLEAVER. Multi-agency.

Secretary CARSON. Yes, there is a multi-agency taskforce. Thank you for that question.

First of all, as far as the I.G.'s report is concerned, it encompassed a period of time from January 2014 until December 2016, prior to this Administration. This—

Mr. CLEAVER. No, I—this problem goes—this has nothing to do with the Administration. It has something to do with kids.

Secretary CARSON. I understand.

Mr. CLEAVER. Yes.

Secretary CARSON. This is a very big priority of mine, particularly coming from my background in neuroscience, recognizing the profound effects that lead can have on the developing brain. That is why we have made it a priority since I have been here. As the I.G. did note that we have taken into consideration all those things and have made those appropriate changes.

We are providing tremendous oversight now because there are requirements for all of the subsidized housing areas to report on a regular basis, what they have done in order to monitor for lead.

If they discover anybody with elevated blood levels, they have an obligation to report that. They have to work through either a physician or through the health agency. We are following up on each one of those instances, and it is making a difference.

Mr. CLEAVER. Thank you. Mr. Duffy and I both agree, and every one of our panelists yesterday agreed—I raised the question, can we eliminate this problem? Everybody says, yes, I agree to it.

I said, is it realistic for us to declare war and say, by the year whatever, we are going to eliminate lead-based paint as a problem in the United States of America? Now, not all of it's in public housing, so we are talking about people who are living in houses and—that are not public housing, and completely unaware of the dangers of lead-based paint. But I know the damage it can do to—I don't know as well as you. You—this is your area.

But is it realistic? Can you accept the challenge of meeting with this multi-agency group and saying, look, we can solve this problem? Then, let's all get together, declare war. The taxpayers would love it if we could end a problem and not have to revisit it again.

Secretary CARSON. I agree with you very much. I would very much love to eliminate that problem. We are making very good progress. The latest CDC survey, in terms of blood levels for children, is down to 0.9 micrograms per deciliter, which is considerably below the target. We are making good progress. We are going to continue to work very hard on that.

Mr. CLEAVER. I think my time is running out. Thank you, Mr. Chairman.

Chairman HENSARLING. Gentleman yields back.

The Chair now recognizes the gentleman from Missouri, Mr. Luetkemeyer, Chairman of our Financial Institutions Subcommittee.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

Welcome, Mr. Secretary.

Secretary CARSON. Thank you.

Mr. LUETKEMEYER. During the past Administration, I expressed serious concern over the state of FHA. We saw years where FHA employed lax underwriting standards and cut guarantee fees, creating tremendous taxpayer exposure.

Can you give us an update as to the current financial state of FHA, how the delinquencies are going? Are there aspects or trends to FHA's business that cause you concern?

Secretary CARSON. First of all, we are very grateful that we finally got an FHA commissioner. He has been in place for almost a month now. That makes a very big difference.

FHA is the primary source of mortgages for low-income and moderate-income people, first time home buyers, minorities. It plays an extremely important function in our society. We have some awfully good people there which have kept moving the ball forward. We kept the MMIF above the statutory requirement of 2 percent for the reserve capital fund, which would not have happened, of course, if we had yielded to the pressure to lower the premium.

We are paying attention to all those things. We have made tremendous progress in terms of reverse mortgages, in terms of PACE loans and putting the taxpayer in the right position.

Mr. LUETKEMEYER. Reverse mortgages have been a sore spot for you, have they not?

Secretary CARSON. It has been. I—of course, when it was put in place, people meant well, allowing seniors to age in place. But the appropriate standards were not set in terms of the amount of money that could be withdrawn, et cetera, and looking after the surviving spouses. All of those things have been addressed, and we are continuing to make excellent progress in that area.

Mr. LUETKEMEYER. Thank you. I know, last week, the Administration sent out a general outline on GSE reform. Would you like to comment on that or just enlighten us a little bit as to HUD and FHA and your part in this and where you see this going? I realize it was just a general outline, but, if you can give us a little update on it, it would be great.

Secretary CARSON. In terms of the housing crisis, it's really the last piece that is left is really GSE reform. Ten years later, they are still in conservatorship.

Mr. LUETKEMEYER. Right.

Secretary CARSON. That, of course places taxpayers at additional risk. I love the fact that many people are now starting to talk about, how do we get them out? How do we put them on a playing field in the secondary market with, potentially, other private sector guarantors to create real competition and still have an appropriate guarantee so that we encourage capital in the market from foreign areas?

All of that is an appropriate thing to do. But what we need to do is lessen the taxpayer exposure; increase private capital in the secondary market. I think that would help us out quite a bit.

Mr. LUETKEMEYER. You bring up a great point there, because I know that one of my colleagues has a great bill that we are trying to look at, going across the board with regards to the Government as a whole and seeing where reinsurance could come into play to protect the Government on the guarantee side so that there would not be a taxpayer exposure. Would you be supportive of something like that?

Secretary CARSON. Absolutely. I think those are the kinds of things that we need to be looking at, carefully exploring.

The other thing we have to do, obviously, because this is such a big part of the American economy, is we have to make sure that we don't do things that cause a big shock to the system.

Then the other point I would just take a moment to reinforce, as far as FHA is concerned: We are dealing with very archaic I.T. We are dealing with an almost $1.3 trillion portfolio. We cannot afford to put that money at risk by not tending to the I.T. platform.

Mr. LUETKEMEYER. I see my time is about done. I will yield back the balance of my time, Mr. Chairman.

Chairman HENSARLING. Gentleman yields back.

Chair now recognizes the gentlelady from New York, Ms. Velazquez.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Secretary Carson, the New York City Housing Authority needs an estimated $25 billion in capital repairs. Earlier this month, after years of investigation, NYCHA signed a consent decree with the U.S. Attorney's Office for the Southern District of New York and HUD, in part for its extensive lead and mold problems, as well as for its failing to provide sufficient heat to its residents during the winter months due to their ongoing maintenance challenges related to its boilers.

In your expert medical opinion, do residents face a health risk for living in these buildings?

Secretary CARSON. Yes. I was extremely concerned when I learned about the challenges, not only with the lead, but with the mold; with the elevators, particularly with some of the elderly people there; with the heating and cooling systems. It's absolutely ridiculous.

That is we entered into this with the EPA and with the Department of Justice, because, quite frankly, we were outraged that that would be going on—

Ms. VELAZQUEZ. Thanks.

Secretary CARSON. It was done on the basis of false reporting.

Ms. VELAZQUEZ. Thank you. Thank you, Dr. Carson.

During your confirmation, you stated a renewed focus of lead-based paint hazard reduction. That is what you stated at your confirmation hearing. Since becoming Secretary, what has HUD done to address the issue in public housing?

Secretary CARSON. We have significantly increased the oversight in terms of the required reporting that is done and then doing the follow ups on those reports when we get evidence of anybody, particularly a child under the age of 6, with elevated blood levels, pursuing that situation to the apartment that they live in or the house that they live in, making sure that remediation is done.

Also, if it happens to be a multifamily dwelling, making sure that any other apartments in that dwelling that have children—

Ms. VELAZQUEZ. OK, so you are doing proper oversight?

Secretary CARSON. Absolutely.

Ms. VELAZQUEZ. Under the new consent decree, NYCHA will be overseen by a Federal monitor for 5 years in order to ensure NYCHA complies with the decree's remediation requirements on capital repairs. How were you expecting NYCHA to meet these terms on these upgrades when you requested zero dollars for the Public Housing Capital Fund for Fiscal Year 2019? It is great that you are exercising proper oversight, but money talks.

Here you are in your confirmation hearing saying that children's health in public housing is going to be a priority. Here we are facing this big crisis in NYCHA, but yet you requested zero dollars for the Public Housing Capital Fund for Fiscal Year 2019.

My question to you is: How do you expect NYCHA to resolve this issue when you provided zero money?

Secretary CARSON. Thank you for asking that question because, in fact, one of the things that has worked so well around the country for these capital backlogs is the RAD program.

Ms. VELAZQUEZ. OK.

Secretary CARSON. And finally—

Ms. VELAZQUEZ. Reclaiming my time because I know that time is running out. You know that the Ranking Member requested the GAO (Government Accountability Office) to conduct an investigation. They issued a report earlier this year, where they concluded that public-private partnerships, such as RAD—the long-term effect and impact of RAD are not clear yet.

The GAO report said that the amount of private financing RAD is able to leverage is—that they claim to leverage is higher than what is actually true. That is the GAO, the arm of the Congress. That is what they concluded.

In light of that, are you going to reassess the responsibility and the role of HUD in proving capital funds to make repairs and to deal with the issue of mold and lead across the country?

Secretary CARSON. We could have a real discussion about the GAO's finding with RAD, but I was—

Ms. VELAZQUEZ. Oh, you are going to question now the GAO?

Secretary CARSON. But what I will say is that we are continuing to provide significant capital for NYCHA.

Ms. VELAZQUEZ. Zero capital, sir. You requested zero capital. You cannot have it both ways.

Secretary CARSON. I am talking about the actual—

Chairman HENSARLING. Time. The time of the gentlelady—

Ms. VELAZQUEZ. I yield back my time.

Chairman HENSARLING. The time of the gentlelady has expired. The Chair now recognizes the gentleman from Michigan, Mr. Huizenga, Chairman of our Capital Markets Subcommittee.

Mr. HUIZENGA. Dr. Carson, good to see you up over here.

I have a lot of ground I want to cover here, quickly. First and foremost, I know that you were in Michigan recently, in your home town of Detroit.

Secretary CARSON. Yes.

Mr. HUIZENGA. Wanted you to, maybe, touch on the EnVision centers that you had discussed. In fact, there was a great quote from Mayor Duggan from Detroit who said, quote, "EnVision centers are about bringing services to people in neighborhoods. I am thankful that our partners at HUD chose Detroit to open the first one in the country. This new center will make the most of the services and facilities to serve the community," close quote.

I would love to hear a little bit about the EnVision centers and the trip and then, maybe, if you can touch on opportunity zones. I want to talk and transition a little bit into how do we make sure that FHA, Fannie and Freddie, and the rest of the alphabet soup in the housing industry—how do we make sure that they are running efficiently? How do they share that information? Can we get some common language on that?

Because I believe we all have a common goal, which is, as you said, and I wrote this down, graduate from assisted housing. That is exactly what—I know when I was in real estate, that was one of my goals was to help people experience that opportunity. We all know that opportunity actually equals compassion. It's not just sheer dollars getting thrown at a program.

Please tell me a little bit about EnVision and then opportunity zones.

Secretary CARSON. The EnVision centers are basically a mechanism whereby we can bring the resources to the people who need the resources. We are talking about Federal, State, and local, as well as private sector, nonprofits, and faith-based organizations; all have things aimed at helping people and helping people to achieve self-sufficiency, some of which, I didn't even know about. But I have been thrilled to see the response as people have come in to offer things.

Because—I think probably the best way to think about it is like the HUD-VASH Program. That is a multiagency program in which HUD provides the housing and the V.A. provides the wraparound services. Through that program, veteran homelessness has been reduced by 47 percent and continues to go down.

Basically, we provide wraparound services for people living in depressed economic areas, and giving them some of the same kinds of advantages that somebody who had been born into a healthy family, with an extended family and a nurturing community would have. Those things make a tremendous difference in terms of the trajectory of that person's life and where they eventually end up.

For instance, there is an agency that will train elderly people in a multifamily dwelling in childcare. They can actually get a childcare certificate, and then they can get some extra earnings—because in our rent proposal, we are going to take away the disincentive for getting extra earnings.

But also, her next-door neighbor, who is this single woman with children, now has a safe place to put her children while she get her GED, her associate's degree, her bachelor's degree, becomes—

Mr. HUIZENGA. Presumably far more affordable.

Secretary CARSON. Independent and teaches that to her children.

Those are the kinds of holistic things that have to be done if we are ever going to get out of these chronic situations that really shouldn't be going on in this country, as far as I am concerned.

The opportunity zone is a splendid opportunity, secondary to the Tax Cut and Jobs bill, where people can take unearned capital gains, unrealized capital gains, put them into an Opportunity Fund in economically neglected areas. Up to 25 percent of a State's neglected areas can be designated by the Governor. If those are left in long-term, they can have very substantial benefits financially for the investor.

But, more importantly, they draw in those investments into these neglected areas. When we combine those with some of the other things that are available, New Markets Tax Credit, LIHTC, things of that nature, we have an opportunity to do some very major renovation—

Mr. HUIZENGA. That could go into rural areas as well because I actually have the poorest County in the State of Michigan it is a rural, traditionally an African American vacation spot called Lake County back during the segregation area. I have Lake County. I have urban areas like Muskegon and Muskegon Heights, Kentwood, Wyoming.

I have 5 seconds left. I have so many other things I would love to hear. I will write you about harmonization of data for Fannie, and Freddie and FHA. But I just want to invite you next time you are in Michigan, love to have you on the west side so we can go visit Lake County, and Muskegon, and Kentwood.

Secretary CARSON. I look forward to it.

Mr. HUIZENGA. All right, thank you.

Chairman HENSARLING. Time of the gentleman has expired. The Chair now recognizes the gentleman from New York, Mr. Meeks.

Mr. MEEKS. Thank you, Mr. Chairman. Let me first say, also, I am a product of public housing myself, lived in public housing until such time that I graduated law school with my parents.

As I look at public housing today, it is not what it was then. The investments that were being made in the public housing so that a child like me would have an opportunity, and the friends that I had would have an opportunity, are not there. When I look at budgets and where we are emphasizing and et cetera, the opportunities that I had are not there.

What I am trying to get is a clear vision of where we are going because I still don't see, under the current proposals, how we get to there, those things that benefited me and my parents. One of the things that, as I talked to individuals in the public housing developments that I currently represent, they were very in awe or very concerned about their rents going up. It is probably the number one issue that is come to me.

In that proposal, and I understand that you are saying now that it's not, but in that he proposal that you had, which becomes even more troublesome, is how do you get to deducting or not? In your proposal, I think that you proposed, for example, to eliminate deductions for medical costs, childcare costs, which, I know in a city like mine can be very great.

If you take away those deductions, then the person is going to be compelled to pay a much higher rent if they can't take that away from what they have to pay to afford their family. My first question is do you concede that if you take away those deductions, that this policy will make rent much more expensive for individuals.

Secretary CARSON. We have looked at that. We have looked at the statistics, and the numbers, and the number of families who would be affected. Primarily, you are going to be talking about elderly people when it comes to the medical deductions and we have already protected them. When it comes to the child deductions, the new tax plan actually doubles the child deduction. That comes out to pretty much a wash.

Mr. MEEKS. But, no—I think that, I look at my case, if my parents couldn't take in my brothers and sisters, I had a brother and two sisters. If that cost went up, it was the rent that allowed them to give me the opportunity to go to school and some other things.

If they could not pay that rent, we would have been on the street. I wouldn't be here today. When I look at—and because the other thing that I think that is unfortunate is the stereotyping that a lot of individuals in public housing get. That no one in public housing works or anything of that nature; when, if you look at right now, over 75 percent of the individuals that are living in public housing are workers. They are working now. They are what we call the working poor, many of them.

Deductions like that, will cause the working poor not to be able to move. As a result, I think in essence there's some discriminatory practices that happens to the poor that public housing is supposed to help.

Secretary CARSON. In my conversations with you in the past, I know you are a very reasonable person. We are very happy to work with you on those concerns because they are my concerns, also. We want, basically, the same thing. We can come to a reasonable agreement to how that is done.

But, when you actually have a chance to look at the numbers, you will see the impact is not as great as you might think. But, one of the things that is very impactful is the fact that we have approximately 3.2 million different rents being paid because people who have very similar incomes can have very different—and we need to level that—

Mr. MEEKS. Good point—

Secretary CARSON. Make that something that is fair—

Mr. MEEKS. Good point. In that, though, especially in high-income areas like New York, that cost is substantially different. Those who have a high level of rent, where the cost of rent is exceedingly high in New York compared to some other places. It has an very negative impact on individuals in cities like New York, and maybe Chicago and Los Angeles, because of what the high cost of living is.

I don't know if I have time now, because I wanted to also know about the Affirmatively Further Fair Housing rule, that I understand that is now being changed. Its purpose was to make sure that we wipe out discrimination, regardless of its intent, because discrimination is illegal. Maybe you can give me that in writing.

Secretary CARSON. Sure.

Chairman HENSARLING. Time of the gentleman has expired. The Chair now recognizes the gentlelady from Missouri, Mrs. Wagner, Chair of the Oversight and Investigations Subcommittee.

Mrs. WAGNER. I thank you, Chairman Hensarling. Welcome, Secretary Carson.

Secretary CARSON. Thank you.

Mrs. WAGNER. Thank you, sir. Secretary Carson, the Community Development Block Grant Disaster Recovery Program is comprised of relief funds which are designed to allow communities to rebuild critical infrastructure after a catastrophic event. This program is run by your agency.

In testimony before the full committee last year, you noted that some of the things done through the CDBG-DR Program have been quote, "questionable." Given the fact that Congress appropriated nearly $35 billion this year in this 115th Congress for storms in Texas, and Florida, and Puerto Rico and has, over the history of the program, dispensed some $85 billion of taxpayer money, has HUD done anything to address some of the questionable concerns, sir?

Secretary CARSON. Thank you for that question. First of all, last time we were actually talking about CDBG and in the, questionable, as opposed to the D.R. which are two different programs.

But having said that, yes, we have hired a CFO. We have been without a CFO for many years, which was quite evident when he came in and looked at things. He was ready to run out, but we restrained him.

But, now, we are putting in really excellent financial controls, particularly in terms of grant funding. I think you are going to see a major difference there.

Mrs. WAGNER. We have taken this up in the committee, also, especially based on the inspector general's report last year. I hope that you have taken a good look at that, because the I.G. indicated—and this is a direct quote—that the department faces significant challenges in monitoring disaster program funds provided to various grantees, including States and cities and local governments under its purview.

Mr. Secretary, how would you rate HUD's response to the most recent storms? What steps has your agency taken to protect the billions of dollars in taxpayer money currently being disbursed?

Secretary CARSON. Thank you. We have been, obviously, very concerned about that with the rash of storms that we just went through, and particularly with the large amounts of money that are being allocated to the various locations.

For that reason, we have been working very carefully with the local teams in terms of technical assistance and in terms of actually having our CFO visit places like Puerto Rico on more than one occasion to work with their infrastructure there to make sure that the funds are adequately distributed. We are going to be monitoring that very carefully.

Mrs. WAGNER. The CDBG-DR program is managed primarily through—sadly, through Federal Register notices, some 60 of them, which can often be confusing to grantees who are looking to secure a grant after a federally declared disaster.

As you may know—I mentioned a little earlier that, earlier this month, our committee passed, on a very bipartisan basis—and many thanks to your staff for working with us on this. I was proud to author this piece of legislation that, among other things, would actually codify the Disaster Recovery program and provide it with some stability.

Based on your experience with the most recent disasters, do you believe having CDBG-DR in statute, as opposed to Federal Register, would produce better outcomes, especially given the fact that it often takes HUD months to finalize guidance through the Federal Register process?

Secretary CARSON. Yes, I appreciate your interest in that, and working with our staff. We will continue to work very carefully with you. That is something that could potentially have some benefit.

We do have to make sure that we maintain enough flexibility to be able to rapidly respond in disaster areas. But it's absolutely a legitimate area to—

Mrs. WAGNER. Why, these will give you more flexibility to respond more rapidly, because going through a Federal Register with 60 different notices is beyond cumbersome.

We have many other really good government transparency and accountability issues in there, making sure that the money actually gets to those that have been affected and need it the most, without duplication and with true accountability.

Do you believe HUD should place a timeframe on how long money is available to States and grantees? For example, we have funding from disasters that go all the way back, Secretary, to 9/11 that are out there—billions of dollars, some $14.5 billion that we believe needs to be recaptured and put into future events.

Secretary CARSON. Yes. We have just gone through an exercise in recapturing a lot of that. I believe that is a very legitimate concern.

Mrs. WAGNER. Thank you.

Chairman HENSARLING. Time of the gentlelady has expired.

The Chair now recognizes the gentleman from Missouri, Mr. Clay, Ranking Member of our Financial Institutions Subcommittee.

Mr. CLAY. Thank you, Mr. Chairman, and thank you, Dr. Carson. Good to see you after several years; but great to be back with you.

You and I share having grown up in two of America's inner cities, you Detroit and me St. Louis. I guess, when we were growing up, one of the big challenges for African Americans was homeownership. Today, we have reached an all-time low in homeownership. And part of that is due to the housing crisis, because African American homeowners were steered into higher-price loans with balloon payments and all of that.

What I am looking for is a way that we could work together on how we help bring those numbers up in homeownership. What the value is of homeownership in our society, because we know it helps families build wealth. We would like to hear how the FHA and GSE may be connected to how we increase homeownership in our communities.

Secretary CARSON. Yes. Thank you for your concern in that area, because it's a great concern of mine, also. The average renter has a net worth of $5,000; the average homeowner, $200,000. That is a 40-fold difference.

But we have to, obviously, do it carefully, because the way things were addressed before the housing crisis—they didn't consider the fact that putting somebody in a house they can't afford is not doing them a favor. They lose the house, their credit and their future opportunities. We never want to go down that road again.

But we do have to look at some creative and innovative things, some of the self-sufficiency programs, for instance, that we have. One of the things that we are working on now is a way that we take part of the monthly subsidy and put it into an escrow. That is used for the routine maintenance of that apartment.

If there's a lot of routine maintenance—the screens already have holes poked in them, the lights are always replaced, you are always calling the plumber—it's not going to grow very much. But, if you learn to start thinking like a homeowner and you learn how to fix some of those things yourself, it does grow.

When you leave, if you can get that money for a down payment, because that often is the major barrier; people are working hard enough that they would be able to sustain themselves, but they would never be able to accumulate a down payment. Those are the things that we are thinking about. We would be delighted to work with you because it's a great concern of mine as well.

Mr. CLAY. Thank you for that response. Having just celebrated the 50th anniversary of the Fair Housing Act, HMDA data is quite important, when you think about redlining and how banks and mortgage companies treat different classes of people who want mortgages.

I would hope that HUD would hold that data and realize how important it is, because that is how you fight redlining, and I just wanted to hear your thoughts about that.

Secretary CARSON. Absolutely. No, I am well aware of that. That is something that we are watching very, very carefully. I have told the leaders of the Low Housing Coalition that I was willing to work with them, talk with them on how we could better address any of the discriminatory practices that they found.

I also offered to them, and I offer that to anybody, if you find some real discriminatory issues going on, the kinds of things that HUD has neglected in the past, we want to know about them. We would be on them like white on rice.

Mr. CLAY. But thank you for that response. One last issue is the PACE program. I have had constituents tell me that it's a program that works; it puts people to work. I noticed in your statement that it was something that you had to put a check on. Can you explain that?

Secretary CARSON. Yes, because the PACE loans were placed in front of the FHA. It really put the taxpayers at risk. That is why.

Mr. CLAY. I see. My time is up. I yield.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair will now recognize the gentleman from Kentucky, Mr. Barr, Chairman of the Monetary Policy and Trade Subcommittee.

Mr. BARR. Thank you, Mr. Chairman. Mr. Secretary, again, thank you so much for visiting our district in Central Kentucky last January and visiting the Hope Center and Recovery Kentucky and St. James Place and Shepherd's House, Chrysalis House, Revive Life House; all of those wonderful nonprofits that showcased a transitional housing model for long-term addiction recovery.

Secretary CARSON. Great examples.

Mr. BARR. We really appreciated you learning more about that and being open to supporting, through HUD programming, these models of supportive housing and support and care management to reduce substance abuse and addiction.

The University of Kentucky did a study, as we shared with you, that showed that these programs result in avoided costs of $2.71 for every dollar spent, because it leads to addiction recovery—long-term addiction recovery and self-sufficiency. I love what you are doing with these EnVision Centers. I read with interest your commitment to the Continuum of Care Program to help fight the opioid addiction crisis in our communities and, again, contribute to that long-term objective of self-sufficiency and recovery.

In addition to those things, how is HUD partnering with nonprofits, faith-based, and other private-sector entities to improve access to counseling and treatment for opioid addiction and other substance abuse disorders?

Secretary CARSON. One of the real pushes in the EnVision Centers is the counseling and the prevention. The prevention is incredibly important, I don't think we have really talked about it enough, because it's very easy for a person to become addicted. You can do that within a matter of 5 to 7 days.

But the changes that occur in the brain generally take somewhere between 12 and 18 months to reverse so this is an incredibly serious issue, and it can happen to anybody across all demographics. None of us need to look down our nose at somebody who's addicted to opioids, but we do need to be working on what we can do to ameliorate that situation, because we are talking about the workforce in our Nation.

Mr. BARR. Thank you. Thank you for what you are doing with these EnVision Centers. Congress—we want to help provide that flexibility that you have requested.

The THRIVE Act was passed by the House earlier this month, and that provides a demonstration project for housing choice vouchers to these nonprofits to provide for a model—supportive housing, transitional housing for long-term addiction recovery. We want to continue to work with you on that issue.

Secretary CARSON. Thank you for working so hard on that issue.

Mr. BARR. Secretary, we appreciate your commitment there.

Mr. Secretary, regulations should not unnecessarily limit choices or add to the cost of a home. But this unfortunately has been our experience with HUD regulations on manufactured housing.

HUD regulations are raising costs for consumers, reducing their options for popular amenities, with no safety or consumer benefits. Examples of this include; extensive new requirements for home features that are completed after a manufactured home is delivered onsite, including French doors, tiles surrounding the bathroom and carports.

I want to commend you and your department for announcing a comprehensive review of all regulations impacting manufactured housing. I appreciate your recognition that those regulations governing manufactured housing require a full and thorough review. The public comment period for that review ended at the end of February. Can you shed some light, for the committee, on your plans to reform HUD regulation of manufactured housing?

Secretary CARSON. That has been a major priority of mine, recognizing the role of manufactured housing in this country; 10 percent of single-family housing is manufactured housing, 22 million families.

The regulatory burden has been absolutely ridiculous. It prevents, for instance, like, in New Mexico, the oil workers—they can't use a manufactured house because of some of those regulations.

We are looking at those. We are getting rid of those so that it makes sense, so that we can use them, because manufactured housing has made so much progress. You would not be able to tell a manufactured house from a site-built home anymore.

Mr. BARR. Right.

Secretary CARSON. They stand up to hurricanes much better.

Mr. BARR. When we talk about empowering low-income Americans to help them achieve that dream of homeownership, we need to unleash manufactured housing not just in rural areas, but all across this country, as an opportunity.

Secretary CARSON. It's one of the solutions.

Mr. BARR. Yes, absolutely, sir.

We hear this refrain from many of our colleagues on the other side of the aisle that the tax bill was tax cuts for the rich. You hear that a lot, even though, according to the nonpartisan Tax Policy Center, households in the top 20 percent of income earnings will pay more in 2018, compared to last year, in terms of the total income taxes collected. By contrast, those in the lower 60 percent of income earnings will contribute less.

I just want—my time has expired, but these opportunity zones—

Secretary CARSON. Yes.

Mr. BARR. Is an example of the tax cuts helping low-income Americans—

Chairman HENSARLING. The time of the gentleman has expired.

Mr. BARR. I yield back.

Chairman HENSARLING. The Chair now recognizes the gentleman from Georgia, Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman. Welcome back.

Secretary CARSON. Thank you.

Mr. SCOTT. Good to have you, Secretary Carson.

Secretary, I examined your background and looked at your bio, and you and I have some things very much in common. Both of our parents did domestic work. Mine, for example—I lived with them. We did—my mother was the cook and maid, and my father, the chauffeur and butler, up in Scarsdale, New York.

Secretary CARSON. Wow.

Mr. SCOTT. Where I was not only the only African-American kid in my school at Fox Meadow and Scarsdale Junior High School, but I was the only African-American in the whole city—the only African-American kid in the whole city of Scarsdale. But we had parents there that took interest and focused us and were hardworking.

Without that, plus a helping hand, many helping hands, for us to come to where you are sitting, as a Cabinet official for the President of the United States, and, of course, me in my 15th year as Congressman. We wouldn't have made it without loving parents that gave us that discipline, courage, but also the helping hand.

You, all the way—becoming a neurosurgeon—how mighty is that? To come from your background, me, coming from mine, sitting in Congress—and here we are, sitting, with each other.

But it's the helping hand. What is so problematic to many people in this country is your inability to understand that zeroing out the budget for the one major helping hand for the poor, the CDBG program that has gotten over 400,000 jobs for people, 1.8 million homes there and you are zeroing out that budget.

I want you to think hard, man, about those helping hands, because, when you zero out the budget of the CDBG program, you are cutting off the helping hand for the poor. I want you to think about that. I want to ask you if you could commit right now, before this committee, to just go to the President, go to Mick Mulvaney, our budget director, and say, look, let's not cut this helping hand out. It's too valuable. Would you do that?

Secretary CARSON. I might leave that to you. But what I will commit to is the things that work very effectively in that program, to maintaining those.

Mr. SCOTT. Let me tell you this. In Cobb County, my Cobb County in my district, I have just gotten a message from the Chairman, Michael Boyce, who's the Cobb County Chairman. Cobb County is my largest, most significant county, and they tell me that Cobb County alone has experienced a $600,000 decline in CDBG funding this year.

Now, for those who may not know where Cobb County is, it's the home of Lockheed, and now it's the home of the Atlanta Braves. It's the home of our soccer team that is winning. It is the fastest, most economically growing area.

However, there is a concentration of poor people who need this helping hand. I want to ask you to do more than say it's up to me to talk to the President. Unfortunately, the President isn't going to talk to me. But that is why he has you to talk to. That is your job.

When you were here before, I told you that you were a cover, being used to do exactly what you are doing. Now, go back to your mother and your father, and my mother and father, working in those jobs as domestics—but it didn't stop there. You would not be where you are sitting without that helping hand. Don't cut the helping hand off.

Chairman HENSARLING. Time of the gentleman has expired.

The Chair now recognizes the gentleman from Oklahoma, Mr. Lucas.

Mr. LUCAS. Thank you, Mr. Chairman. Mr. Secretary, it's good to be here with you today.

Secretary CARSON. Thank you.

Mr. LUCAS. As is typically the focus of the committee when someone like yourself comes, we have a very strong perspective of—from the point of view of our districts.

I would like to chat for just a moment this morning about the Administration's proposed Delivering Government Solutions in the 21st Century reorganization plan. Within that plan is a proposal to combine the Office of Rural Housing Service from the United States Department of Agriculture into the Department of Housing and Urban Development.

Now, I acknowledge to you I represent a very rural district, and, potentially, there might even be more cows than people in my district. But that is OK, too. Rural communities face unique challenges in many ways different and perhaps beyond those of the typical Federal Housing Agency buyer. In fact, eligible rural homes may not always meet FHA's housing standards, due to the rural nature of where they are and the infrastructure around them.

Could you explain for just a little bit or visit with me, if you could, about why HUD is a better place or better equipped to meet the needs of rural communities?

Secretary CARSON. Thank you for that question. Interestingly enough, HUD already services more of the rural community than USDA does. It's not a very difficult shift, quite frankly.

The whole purpose of the reorientation is to prevent duplication and to increase efficiency, because one of the things that we have to recognize right now is we have a severe fiscal crisis looming.

Thirty years—if we continue to accumulate debt at the same rate, every penny we take in will be used to service the debt. There will be no money for CDBG. There will be no money for any program. There won't even be money for the military. There are a lot of countries that have gone bankrupt. It is a disaster when it happens. It affects everybody. They knew, 30 years ahead of time, they were going there, too. But they didn't do anything about it.

They sat there and said, well, you have to give this money for this. You have to—what we have to do is we have to learn to be fiscally responsible and, at the same time, take care of our compassionate needs. I believe that we can do that, but we can only do it if we are willing to work together.

Mr. LUCAS. I very much appreciate that, Mr. Secretary. Fortunately, like all good reorganization plans, everything will have to be considered by Congress and passed in this body and the other body, ultimately, before it gets to the President's desk.

Having sat for a number of years next to the OMB Director when he was a subcommittee member on this beloved committee, I look forward with great intensity to when I get to visit with him about some of his plans.

With that, Mr. Chairman, I enthusiastically yield back and thank the Secretary for his time and insights today.

Chairman HENSARLING. Gentleman yields back.

The Chair now recognizes the gentleman from Texas, Mr. Green, Ranking Member of our Oversight and Investigations Subcommittee.

Mr. GREEN. Thank you, Mr. Chairman. I thank the Ranking Member. I thank Dr. Carson for appearing today. Dr. Carson, my visit with you will be brief, because I have some closing comments that I must call to the attention of not only the committee, but of people who may be listening.

Dr. Carson, there are people in this country who are renters, who have thin credit, who pay their light, gas, phone, utilities. They pay all of their bills timely, and they can afford a home. Homeownership is at a 40-year low. About 25 million of these people exist, according to the CFPB. There are other estimates that will take this number as high as 35 million.

We have a bill, H.R. 123. It deals with alternative credit scoring, but, really, it's additional credit scoring, because it does not remove anything that is currently being scored. It simply adds more to it. We passed this legislation initially in the FHA—the Economic Recovery Act of 2008. FHA was to give us a pilot program, an automated system.

The question for you is very simply this: Will you work with us to develop an automated system so that people who are creditworthy—not one person who receives a loan would be anything less than creditworthy by the standards that we currently have—would you work to help us implement such a program?

Secretary CARSON. First of all, thank you so much for working in that because it is very important issue, and there are different kinds of credit. That is something that we have been talking about a lot lately, and we will be very happy to work with you on that.

Mr. GREEN. Thank you.

I am going to now move to another area, because, earlier, there was a talk about civility and respect. It causes me to have to simply say this, where were you?

Where were you when the President of the United States of America said to members of the constabulary, police officers, you don't have to be so nice when you have a person within your care, custody, and control?

I am paraphrasing him, but that is what was said. By the way, this is not directed to you, Dr. Carson. But where were you? Where was your outrage? Knowing the history of police brutality in this country as it relates to certain people, knowing that you have seen people shot in the back as they were running away, knowing that people have been abused at the hands of the constabulary when they were literally overwhelmed with police officers—Eric Garner, Tamir Rice—where were you? Where was your outrage then?

What is wrong with us? Are we afraid of this President to the extent that we can now become outraged because we have somebody that we think won't be able to punch back? What this President has done to civility is unpardonable. Where was your sense of outrage when Charlottesville erupted and a person lost her life? Where was your sense of outrage when the President of the United States of America said there some very nice people among the Klan, white supremacists, neo-Nazis? Where were you? What is wrong with us?

We have a President who is inculcating bigotry into policy. It is no accident that they are now talking about doing away with diversity visas, after the President has called certain countries in Africa S-hole countries. That is bigotry in policy. Are you aiding and abetting?

Finally, this, I didn't come to talk on this subject. The door was opened by someone else, and I am going to walk through it. This is something we all should remember. Those who make peaceful protest impossible make other forms of protest inevitable.

Thank you, Mr. Chairman.

Chairman HENSARLING. Time of the gentleman has expired.

The Chair now recognizes the gentleman from New Mexico, Mr. Pearce, Chairman of our Terrorism and Illicit Finance Subcommittee.

Mr. PEARCE. Thank you, Mr. Chairman. Secretary, thanks for being here today, and I appreciate your work on these critical issues that affect so many.

Now, in New Mexico, we have a high percentage of our housing units are manufactured housing. My question is on there, and I will actually let you answer the question.

We currently—HUD code prohibits manufactured housing for being used as multi-family dwellings or multiple-person dwellings and so we have a tremendous boom going on in a couple of counties so that the infrastructure in Carlsbad is estimated to be there for about 25,000 people—current usage in the water meters.

We can't take an exact census. The pressure is up somewhere—the estimates are maybe 80,000 to 90,000 people are there, using facilities. There—the rent in a local hotel that was, last year, about $100 a night or less is close to $600 a night now.

Your average worker just can't afford that. There are no houses. You have many manufactured housing units that could be converted or would be available for multiple-family or multiple people staying in them.

You had said earlier the department had announced they are going to review this problem, earlier this year. Do you have any idea of when that review is going to come out.

Secretary CARSON. It should come out this year.

Mr. PEARCE. OK. We are on the way to getting that?

Secretary CARSON. Definitely.

Mr. PEARCE. Any idea of—

Secretary CARSON. It's a priority.

Mr. PEARCE. Are you—is there any clarity on whether or not you are going to be able to accommodate these requests from local people?

Secretary CARSON. I would expect so, because it's logical.

Mr. PEARCE. Do you have any reports from stakeholders, as they made comments about this? Is it something that showed up as a problem in the comment phase?

Secretary CARSON. I personally have not reviewed all the comments, but I am pretty sure it has.

Mr. PEARCE. OK. But the building codes don't—the—so your building codes are trying to assure that everything is built to a safe manner, but they are affecting how they are used as the number of people in it, which I am not sure I get the correlation between safety and the number of people being described in it, or whether it's multi-family or not.

Is that something that you are going to review?

Secretary CARSON. That is illogical, which is probably why you don't get it. I don't get it, either. Yes, it's being reviewed.

Mr. PEARCE. OK. Now, last year, you and I had the opportunity to visit, and you indicated that you might be able to come to New Mexico and look at some of the Native American housing groups that are building their own houses on reservations.

A couple years ago, we cut the ribbon on a Native American home on a reservation—3,700 square feet, 12-foot ceilings that would have fit in any of the neighborhoods in Albuquerque.

It was also financed by a bank, because the tribes are beginning to understand, if they give longer-term leases for the land underneath those units that they can get that public—or get the financing from the banks. Is that something that you still would entertain a visit out into New Mexico to look at some of these units?

Secretary CARSON. I think that would be very interesting. I saw my travel budget. I only have $21,000 left. I will get there eventually.

Mr. PEARCE. We travel pretty cheap in New Mexico. We can figure that out.

I would welcome you there, because New Mexico has, probably, a greater percent of population struggling in poverty—we have almost 45 percent of people on Medicaid in the State—905,000 people out of a 2 million population.

If there's any place that needs housing in order to establish that first foothold and make the way up the ladder of life, then—

Secretary CARSON. Absolutely.

Mr. PEARCE. That is something that I think that we would find useful—and the discussion between yourself and New Mexico residents. We look forward to hosting you there. Then we have great Mexican food, great green chile. We look forward to seeing you there.

Secretary CARSON. Thank you. I met a young woman from New Mexico yesterday, a Presidential scholar, absolutely incredible.

Mr. PEARCE. OK. All right, thank you, and I appreciate your service, sir.

I yield back, Mr. Chairman.

Secretary CARSON. OK.

Chairman HENSARLING. The gentleman yields back.

The Chair now recognizes the gentlelady from Ohio, Mrs. Beatty.

Mrs. BEATTY. Thank you.

When we opened the session, today, I believe it was our Chairman that started with words like, I believe that words matter. Let me just say, I certainly believe that words matter—talked about diversity of words.

I not only believe in diversity of words, but I believe in diversity in race and ethnicity. I believe in diversity in housing. We certainly know that there are many disparities. We have heard some of our colleagues talk about redlining, discrimination in housing.

But let us go to diversity of words, whether they are the words we speak here—certainly, thank god for technology and playing back those tapes of—whether it is you sitting as the Secretary, whether it was Secretary Donovan, whether it was Chairman Cordray sitting there. We all should look at some of those tapes before we make comments.

But let me just say to you, when you were here before, we certainly had a dialog about my expectations of diversity in words through written communications. I had shared with you that I had sent you a letter on my congressional stationery, last year, about HUD's policies on FHA. In March, I joined with other members, including the Chairman of the Congressional Black Caucus. I, then, sent you a signed letter. Are you familiar with that letter that we sent you about antidiscrimination?

Secretary CARSON. I have gotten so many letters. Could you remind me of the content please?

Mrs. BEATTY. OK. This is going to be like deja vu, because we had this conversation, and I was very clear with you that my expectation would be, like any other Secretary or Chairman, that, if I would send you a letter, would you make a commitment to read it and look at it?

I don't know how many letters you get from Members of Congress, but I know, if you sent me a letter signed by you and my chief of staff or staff got it, it would appear on my desk. If I knew I were coming back here after being drilled by a member who has oversight of your department, I would probably make a little special effort. We all have.

We have heard about people who have mobile homes or agriculture. My thing, which I have said repeatedly to you, is I am concerned that we don't discriminate. When you have a staff person that circulates a letter that you are going to remove antidiscrimination—letter—words from your mission, that was very—concerning enough to not only me, but two other members on this committee, the Chairman of the Congressional Black Caucus.

Let me ask you—I didn't get a response back from you. Two months later, I got a response back from some staff person who I don't know. That is very bothersome to me, because this is deja vu. We had this conversation. Words matter. Your words were that you would respond if you got a letter from me. It didn't happen, again.

You are an African American male who touts that you grew up in public housing. Let me go to the real question. Are you circulating or looking at taking that antidiscrimination clause that your staff said was going to happen? Respond to that part, because I can tell you—

Secretary CARSON. I am happy—

Mrs. BEATTY. You didn't see the letter. You didn't sign the letter. Two months later, some staff person sent me a letter back.

Secretary CARSON. I am happy to respond to that. We have a process in place where we decided that we would change the statement so that it would be shorter, something that people could remember, but that would still encompass all the goals. The first—

Mrs. BEATTY. Can you tell me what that statement—tell me the new statement, so I can compare it and read to you the statement that they were stating was going to be changed.

What are you replacing with that, "HUD's mission is to ensure Americans have access to fair, affordable housing and opportunities to achieve self-sufficiency, thereby strengthening our communities and Nation?"

Secretary CARSON. OK. That is the first iteration. The second iteration went through the entire senior staff. The third iteration was—

Mrs. BEATTY. OK, so what is the last iteration of it? What is the final?

Secretary CARSON. The last iteration goes to all HUD employees throughout the Nation. That is why the process is taking a while. This is the first time it's ever been done that way.

Mrs. BEATTY. In the interim, is this in or out?

Secretary CARSON. That is not the final statement.

Mrs. BEATTY. OK, so what is the statement? We are operating now.

Secretary CARSON. We haven't gotten to the final statement yet. We are still going through the process.

Mrs. BEATTY. Sorry, my time is about to run out, and I wanted to ask you about the rent, but we will get back to that.

Chairman HENSARLING. The time of the gentlelady has expired.

The Chair now recognizes the gentleman from Florida, Mr. Posey.

Mr. POSEY. Secretary Carson, thank you for your amazing service and your much-needed leadership of an agency that has wandered in the wilderness for too many years. Thank you for coming here today and answering questions and accusations and attempting to answer questions where you were asked them and they wouldn't allow you time to answer them. But thank you for the gentlemanly way that you make us all proud.

Secretary CARSON. Thank you.

Mr. POSEY. I know that you agree with me that homeownership is at the center of the American dream. In July 2016, Congress passed H.R. 3700, directing HUD to adopt rule changes to ease the owner's restrictions on FHA loans as they pertain to condominiums.

In September 2016, FHA published such proposed rules, in accordance with the Congressional request. Those proposed rules would open up homeownership to many more well-qualified first-time homeowners. Unfortunately, the agency has not yet finalized the rules. On the 20th of June, I sent a letter, along with my good friend from across the aisle, Congressman Cleaver, and 120 other members—about 25 percent of the House. Just a diverse, across the universe section of lawmakers as you will ever find, asking to finalize the rule as soon as possible.

I would like to ask unanimous request to enter my record and the other signatures—

Chairman HENSARLING. Without objection.

Mr. POSEY. I just wonder if you could bring us up to date as to where we stand on that right now.

Secretary CARSON. That happens to be a very important issue. Because a condominium is frequently the first step in entering into the homeownership market; and, particularly for millennials. That is why I have been so concerned about it. We have been pushing it.

It is a complex issue because when you are talking about a single or just a couple of units in an entire complex, the risks go up quite a bit for the guarantor. We are working all that out. The final rule should be out in September.

Mr. POSEY. OK, thank you. Because you have been asked questions, and cast aspersions and accusations and have not been allowed the opportunity to respond, I would like to yield my remaining time to you for any remarks you would like to make.

Secretary CARSON. Thank you for that. I would simply want to say that particularly when we go back to the issue of civility, our country is an incredible place. It is very strong. There is no one on the outside who can bring this country down; but, we can bring it down from the inside.

Jesus said, a house divided against itself cannot stand; that was echoed again by Lincoln. When we get to a place where we can't even hear the other side, we are just waiting until they stop so we can talk about what we believe, we are in a very dangerous place right there. I hope that people use their spheres of influence to help save our Nation.

Chairman HENSARLING. Does the gentleman, yield back? The gentleman yields back. The Chair now recognizes the gentleman from Massachusetts, Mr. Lynch.

Mr. LYNCH. Thank you. Dr. Carson, I appreciate your last remarks. I would just ask you if you could pass that on to the President as well, about the need for civility.

Secretary CARSON. Should go to everybody. I agree with you.

Mr. LYNCH. Yes. I do appreciate your remarks about fiscal responsibility, but I do have to point out that the recently passed Trump tax cut adds about $2.3 trillion to the debt over the next 10 years. It seems like we are running as fast as we can toward bankruptcy, not away from it.

But, I am one of the very few Members of Congress who's actually grown up in public housing in South Boston, the Old Colony Housing Projects. Now, the Anne Lynch Old Colony—Homes at Old Colony, named after my mom. My five sisters and I grew up there with my mom and pop.

But, like your family, I know your history. I think a little while in Dorchester, in Boston. That is where I was born.

Secretary CARSON. Right across from Franklin Park.

Mr. LYNCH. Great golf course. I take some soil samples there probably once a week.

But, like your family, things weren't always easy and we struggled. My dad used to say that the there were times in our family where we had to save up to be poor. I think he was only half-kidding.

But, public housing was a blessing to us. We would have been homeless without it. There are a lot of people that I represent in Dorchester, and in South Boston, and other parts of my district that the rents are going up so fast that we not only need affordable housing for low income, but we need affordable housing—what we call workforce housing. That is where people with a mom and a dad both working full-time jobs, sometimes a couple of jobs, and they still can't afford a two-bedroom apartment. It's ridiculous.

I worry about the direction that the Federal Government's going in. I worry about some of the policies that have been articulated by HUD recently. Developing public housing is a shared responsibility. I see the States trying to step up. The State of Massachusetts is doing a great job. Our cities are doing their best, but the special sauce that makes us all work is really CDBG grants and the Low-Income Housing Tax Credits, and the Historic Housing Tax Credits.

Historic—we are converting a lot of our old, old buildings into affordable housing. That Historic Credit helps a lot. Today, you need about six or seven different sources of funding to get a project done. That Low-Income Housing Tax Credit actually attracts private capital into those projects. It really makes it work.

I worry when I hear that we are backing off from that commitment at the Federal-level. Because, I think that is a private investment, when they buy those Low-Income Housing Tax Credits. We turn that money into public housing; and, it's private money that does so.

I think it is a private side model that works. I am just very nervous about the Administration not understanding that and backing away from that commitment. Do you have any clarifying remarks on that?

Secretary CARSON. Sure. First of all, the Low-Income Housing Tax Credit was preserved in its entirety in the new tax cut bill. We do fully recognize its importance. I think that combined with some of the other programs, including the Opportunity Zones, will provide some of the extra funding that you are talking about.

As I have traveled around the country and I have looked at some of the developments, like East Lake in Atlanta, which was in the worst area possible in terms of crime, poor school performance, everything that was bad. Look at it now, it is a model community. The schools are achieving at highest levels, there are charter schools, higher than the private schools in the area. There's no food desert. You have jobs.

Those are the kinds of developments that we need to create around the country. This is what we are concentrating on now. It is done best through public-private partnerships, but it has to be done in a way that you have win-win situations for everyone.

Mr. LYNCH. I just want to clarify—thank you, I appreciate that. But the analysis of the tax bill says it will reduce the number of affordable housing units by 235,000 units. That is a troubling remark.

But I thank you for your indulgence, Mr. Chairman, and I yield back.

Chairman HENSARLING. The time of the gentleman has expired. The Chair now recognizes the gentleman from Illinois, Mr. Hultgren.

Mr. HULTGREN. Thank you, Mr. Chairman. Mr. Secretary, thank you. Thank you for being here. Thank you for your work.

I want to jump right into a couple of questions if I may. The McCarran-Ferguson Act generally states that unless Congress says otherwise, insurance is regulated by States and at the State-level here in the United States. Do you believe that HUD has the authority to regulate insurance, housing insurance or otherwise?

Secretary CARSON. I have not read any document that gave us that authority.

Mr. HULTGREN. Thank you. I am going to move onto a specific situation. My district's just outside of Chicago, the western suburbs and northern suburbs of Chicago. But I did want to just ask a little bit about some discussion that we recently had seen, a Washington Post article and some situations in Cairo, Illinois, which is far other end, far southern part of Illinois.

On May 2, 2018, a Washington Post front page article entitled "As Cairo Illinois Recons with Public Housing Crisis, Basketball Hangs On". It discusses the dynamics of an Illinois town of about 2,300 residents where public housing had accommodated one quarter of that population, and there's no grocery store, no hospital, no community center, their poverty rate is 46 percent, yet a few years ago HUD made a decision to demolish the Elmwood-McBride public housing complexes, an action that some believe caused the death of the town.

Mr. Secretary, I wonder if you could give us an update on what is happening in Cairo in terms of the demolition of this public housing unit and if you could talk a little bit why did HUD decide to demolish the buildings and what were the circumstances that caused the department to walk away from the investment?

Secretary CARSON. This was a housing complex that was severely neglected by the public housing authority. In fact, we have pressed charges against two of the individuals; they should get what they deserve.

But it had fallen into such disrepair—lead, mold, rats, roach—it was uninhabitable. It could not be rehabilitated, and that was the reason. They had to go into conservatorship and then close down. We protected everybody in there.

Mr. HULTGREN. Could you talk about that a little bit, so what did happen to the tenants and what is the plan there?

Secretary CARSON. Housing choice vouchers, everyone, not only that we provide housing choice vouchers, but we provided counseling and assistance in terms of how to be able to move.

The reason that that was important to do is because this is a town with no industry, no jobs, so let's say you had gone and replaced it and built a new building, there still would have been nothing to support it.

Those are the kinds of things you have to look at. When I was there talking to the State officials, I said, look at the location of this place. You have the rivers coming in there, you have the railroads. It is actually a place where something could be done, but I think that is a different investment. But until you have the businesses there, you are not going to be able to support the community.

Mr. HULTGREN. Yes, thank you, well I appreciate you helping us understand that a little bit more. Just transitioning, in my last minute plus; first, again, I would like to thank you for the opportunity to applaud your action to reverse outgoing Secretary Castro's proposed mortgage insurance premium reduction.

A decision that is supported by comprehensive analysis in the most recent actuarial report on the health of the mutual mortgage insurance fund, the FHA plays an important role in the housing finance system, but its market share is significantly elevated above historic norms.

From a sustainability standpoint, I believe a defined footprint would be appropriate to ensure that the FHA is not exposing taxpayers to undo risk while insuring that it can serve the borrowers who need the agency the most. What exactly is FHA's mission and more specifically, do you favor a more precise statutory definition for the agency's purpose and mission?

Secretary CARSON. The agency's purpose is really to stabilize the housing market. It has an accordion effect, when credit is easy to get, it shrinks, when credit becomes difficult and the market becomes difficult, it expands.

It is a very stabilizing force, and it provides opportunities for a lot of the lower income people, first time homebuyers, and that will continue to be very much the mission of FHA.

Mr. HULTGREN. Do you believe that the FHA should work to reduce its footprint and focus on borrowers that truly need the taxpayer backed agencies, I guess especially when maybe that accordion is shrinking?

Secretary CARSON. I think the key thing is for them to remain in that accordion position so that we keep the market stabilized.

Mr. HULTGREN. Thanks, my time is expired, thank you, Secretary.

Chairman HENSARLING. Time of the gentleman has expired. The Chair now recognizes the gentleman from Connecticut, Mr. Himes.

Mr. HIMES. Thank you, Mr. Chairman, and thank you, Mr. Secretary for being with us today. We haven't had an opportunity to chat or meet, so I would love to just tell you a little bit about my district and then ask you very a specific question about a HUD program that is important to the region I represent.

Mr. Secretary, I represent one of the most affluent districts in the country, Fairfield County, Connecticut, communities of real affluence, but also communities of intense poverty.

The city of Bridgeport is a struggling city and Norwalk and in Stamford and I know you were just in Connecticut, so you got a little bit of a feel for this. The reason I highlight that is because in those communities, people who are struggling in poverty are not just struggling in poverty, but they are going through it right cheek by jowl with immense affluence.

I have appreciated your testimony, but one element of the testimony stuck in my craw a little bit, which is when my colleagues were concerned about the raising of rent for people at the very lowest income levels, assisted by HUD programs from $50 to perhaps $150, I think you and I could sustain that rent increase pretty comfortably. But for an awful lot of the families in Bridgeport and Norwalk and Stamford, that difference is the difference between eating, buying medicine, saving a little money for their kids to go to school.

I am thrilled your answer was that there are not that many people who fall into that category, and that makes me happy, although I am not sure that, as a country, we have necessarily reduced the number of people living in that kind of poverty, but I would just ask you in the context of your answer, just because there is not that many people living in those conditions, again you and I could sustain those rent increases, but I know that they can't.

I know that the choices that are forced on them by that program would be very, very difficult. In my community, not only do I have some pretty intense poverty in some of my communities, but because it's a very high cost area like Washington, like San Francisco, like New York City, right up until the upper middle class, people are housing stressed, meaning paying more for rent or that mortgage than is comfortable for them to do so.

At some level it's not even comfort really, it's do I get to save for my children's college education because my mortgage or my rent is so high? That leads to things that maybe are not morally as devastating as the conditions of poverty, but a lot of my communities, firefighters and policeman and teachers can't live in the towns in which they serve, which means that they are not coaching little league or really participating in the communities that they serve.

I think your mission is a huge one and important one, particularly for those of us who live in very high cost areas. The specific—and by the way, I look forward to, as I did with your predecessors, talking about the larger issues that you deal with.

But the specific question I have for you, Mr. Secretary, I want to highlight Federal Financing Bank programs. Federal Financing Bank partners with the FHA in a public-private partnership to basically provide low cost capital, distributed through a network of local housing finance agencies. It has been a very successful program, helping to finance some 20,000 affordable homes across the country, including 3,000 in New York City, which is actually part of the economic ecosystem in which my district operates.

This program will expire at the end of this Fiscal Year unless HUD extends it. I hear that HUD is possibly thinking about not extending that program. This is a public-private partnership. It doesn't cost the Government money. It's been very successful, witnessed by the volume of housing that it has produced.

My question, and I may be catching you off guard on this, but I would ask you to think about a more comprehensive response if I am catching you off guard; but would you support extending the Federal Financing Bank and Risk-Sharing program to ensure that housing finance agencies can continue to finance affordable housing preservation and development in a low cost manner?

Secretary CARSON. First of all, just addressing something you said a little bit earlier; for those families who have extensive hardships with any rent increase, we do have waivers that we can extend in those situations, and would do so.

As far as the FFB is concerned, we have been engaged in those conversations recently. I am waiting for my people to give me a definite recommendation on that.

Mr. HIMES. Thank you and I appreciate that. I know that HUD is a complex thing. I am close enough to it to know that some things work really well, and some things work less well. This program is one, certainly where I come from, that works very, very well, so I hope you will give it your most comprehensive and ultimately positive consideration.

With that, I yield back the balance of my time.

Chairman HENSARLING. Gentleman yields back. Chair now recognizes the gentleman from North Carolina, Mr. Pittenger.

Mr. PITTENGER. Thank you, Mr. Chairman.

Dr. Carson, thank you, my friend. You are a model public official. You represent the best of all of us. Like America, America seeks—it is the most generous country in the world. We seek to be a safety net for those who need help, you want to become independent and self sustaining.

At the same time, you represent a good steward. You are seeking the best interest of the American taxpayer. You are trying to reform an agency that hasn't been reformed since the 1980's; 4.7 million people are involved in it. That is a lot of vested interest. You are willing to wade in through an area with a lot of folks who want to come after you. I thank you for your demeanor. Proverbs 15:1, it says, "a soft answer turns away wrath." You know that verse well.

Secretary CARSON. A grievous word stirs up strength.

Mr. PITTENGER. Yes, sir, it does. You represent the best of that.

Secretary CARSON. Thank you.

Mr. PITTENGER. I think that frankly, is why you will continue to be so successful.

I would also like to thank you for coming to Fayetteville. You showed those good folks down there that you care. Ninety-eight thousand homes were ravaged through Hurricane Matthew. Eighteen thousand businesses were virtually destroyed. You took the time to come to that small community town to say, I am going to stand with you now, and in the future. I want you to know, they received that with deep gratitude. I do. There are still funds we are waiting to have released from our State that you have sent down. You allocated it. We don't seem to be doing as good a job in the State dispersing it.

Secretary CARSON. Right.

Mr. PITTENGER. Other States have, and that is our problem. I would like to know from you any way that you think we can incentivize or force, or timelines or whatever, States to better do their job? It is hard enough on the Federal level working with FEMA and all the data you have to collect and everything that must be done. But there are people still waiting, not as a result of what has happened here, but frankly in our own State.

Secretary CARSON. A lot of States—first of all, thank you for your incredible dedication to the people in North Carolina. I enjoyed very much being down there with you. The people there obviously enjoyed you being there, too.

Mr. PITTENGER. Good barbeque.

Secretary CARSON. I just hope that we can find a way to get the States to move more rapidly. Maybe we should put a time limit on the money. It's something that I have been thinking about a lot, because I have been looking through the books. There are places that have money left over from 10, 11 years ago. It doesn't make any sense.

Mr. PITTENGER. That is irresponsible.

Secretary CARSON. Yes, so, yes, we are looking at that. We have to come up with something.

Mr. PITTENGER. It is interesting. South Carolina had dispersed the money for the same reasons that you had sent to them. Our State, for some reason was dragging on and hadn't done it, so.

I do have one other different issue I would like to raise with you in the minute and a half we have left. There's a top official in HUD last week, who referred to the critical element of housing finance reform as the need to modernize the risk management and technology platforms of the FHA.

According to this official, and I quote, "the difference now, between the FHA and say, Fannie Mae or Freddie Mac, are truly stark. We really are in the dark ages." Mr. Secretary, how concerned are you about the current state of FHA's risk management and technology platforms?

Secretary CARSON. I am very concerned. We are looking at close to $1.3 trillion. That is a lot of money. You are also looking at people's personal information. There is a lot of stuff there. We are so far behind, we can't keep up with the financial markets that we are dealing with. That makes it much easier for people to potentially get into our systems and wreak havoc.

Why should we wait until that happens, and then become alarmed about it? Why don't we do something about it before that happens? I hope we can get that message across to all the appropriate appropriators.

Mr. PITTENGER. Given the fact that the taxpayers already own Fannie Mae and Freddie Mac, why couldn't FHA leverage Fannie and Freddie systems in this process?

Secretary CARSON. What would be nice is if, instead of allowing the money that is generated going back to the Treasury, we would be able to use some of that money to do what needs to be done. That would solve the problem.

Mr. PITTENGER. Thank you, sir. My time is expired. I appreciate you very much.

Chairman HENSARLING. The time of the gentleman has expired. The Chair now recognizes the gentlemen from Washington, Mr. Heck.

Mr. HECK. Thank you, Mr. Chairman. Dr. Carson, thank you very much for being here, sir. I want to begin by commending you for your consumption, the newly issued report of the New Democrat Coalition Housing Taskforce, entitled "Missing Millions of Homes." I know we have sent this to your office. I hope you will take the time to read over it.

Our conclusion is that we are missing millions of homes. That conclusion was based, in some part, on data that we actually collected from HUD, and that this has resulted—this is characterized as a shortfall in construction, and both subsidized and market rate construction.

Do you agree? Are we missing millions of homes in America?

Secretary CARSON. We have a severe shortage.

Mr. HECK. We also have the perspective that there is pressure on public housing authorities and other Federal housing programs that is just going to continue to grow and grow, until we figure out a way to boost construction throughout the market continuum, frankly.

But, especially in parts of the country where the shortfall is the greatest, we don't have a national housing market but we have a national housing crisis, in my opinion. In those areas, that is where prices are growing, frankly, at astronomical rates. What can HUD do? What can HUD do to increase homebuilding, overall, in publicly owned or privately owned units? I would add as a qualifier, especially in walkable urban areas near mass transit, which is, frankly, where there is an increased demand in the marketplace of late. What can HUD do?

Secretary CARSON. One of the things we are looking at doing right now through the AFFH is incentivizing people to remove the barriers to the creation of affordable housing. There are a lot of barriers, zoning restrictions, all kinds of things that prevent us from being able to provide affordable housing. If we begin to concentrate on those things more, I think, we can get it done.

The other thing we have to recognize is, the more people that we can empower and move through the system, the more room we make for those people in line. We have to tackle it from both ends.

Mr. HECK. Is there a way, are you implying, sir, that HUD could use its capacity to incentivize, increase construction in the marketplace?

Secretary CARSON. Absolutely.

Mr. HECK. You would be not only receptive to, but supportive of that as a concept?

Secretary CARSON. Very much so.

Mr. HECK. I also want to make this point that our data shows that for a typical family, it's actually the cost of shelter, not what you might intuitively conclude as either health care or post-secondary education, but housing that has grown the most over the last 15 to 20 years. Obviously, health care cost and education cost get a lot of attention; and, frankly, I think they should.

But, I don't think we spend nearly enough time talking about what I would characterize as the crisis in housing costs. What can you do? What can HUD do with your platform to raise the profile of this issue, overall?

Do you agree with our premise? Do you—this is data, in no small part, derived from you; housing costs are increasing faster than even health care and education. Again, this is across the market. This isn't just people not being able to graduate into the bigger, better house. It is people not being able to get a starter home. It is rent-burdened people.

It is people who are publicly subsidized, who are having an even more difficult time maintaining shelter within that, which results in an increased number of homelessness. What can you do to raise the profile that this is an issue that affects the entire continuum of housing available to people?

Secretary CARSON. It is something that both myself, and the deputy Secretary talk about frequently in our public speaking. But, I think also, we have to be looking at innovation, new and different ways of providing less expensive housing that still is quality in nature.

We ought to start looking at ways of producing things through computer models in three dimensional models. Some of the things are really quite exciting; our innovation department is investigating them now. But, we have to change with the times.

Mr. HECK. Are they, Dr. Carson, are they looking at what we would have called manufactured housing? I don't like that term as it relates to what I am trying to ask, but—

Secretary CARSON. We are looking at that as well.

Mr. HECK. But modular housing where it's factory created?

Secretary CARSON. Yes.

Chairman HENSARLING. Time of the gentleman has expired. The Chair now recognizes the gentleman from Georgia, Mr. Loudermilk.

Mr. LOUDERMILK. Thank you, Mr. Chairman. I appreciate the opportunity. Dr. Carson, thank you for being with us today. I also want to thank you for your leadership and the new ideology that you are bringing in to this organization. Especially with the fiscal responsibility that you have spoken so eloquently about, the fact is that if we are not fiscally responsible, at some point the money runs out and there is nothing to help anyone with. I appreciate that.

I also appreciate you recognizing the importance of separating the powers of the Federal Government from the State government, and especially regarding McCarran-Ferguson Act, which you have spoken about earlier. I do have an area of concern that has arisen recently, especially with the city of Atlanta.

Trio is a provider that actually provides, for lack of a better term, a lease-to-own type of mortgage for those who are on the cusp of—they can't quite get a traditional mortgage. But, they help these families to go into a lease agreement that would end up with a traditional mortgage.

The city of Atlanta's Finance Authority formed an interagency home finance corporation in 2016, which qualifies as an instrumentality of government under HUD's definitions. They have been participating as an FHA-insured borrower. Seven national mortgage lenders are now participating in the program and another 10 are in the onboarding process.

Additionally, AmWest is a national mortgage lender with offices and ownership in Georgia, and they have been participating in the program since 2016. This issue was brought to us by some of those organizations and the city of Atlanta that, on May 17th, HUD abruptly removed the city of Atlanta's Housing Finance Authority from the non-profit roster without any prior notice.

The result of that has left dozens of families in my district and around the city of Atlanta in limbo, pending HUD's legal review. As a result, some have already lost the financing on their homes, and the opportunity to use this program. Really, my question was, were you aware of this happening? Is this something that you could look into to help us rectify on a timely basis?

Secretary CARSON. I heard about this earlier this week. It is concerning. I want to find out the rest of the details. We have a group of people who are looking into that right now. I expect a resolution sooner, rather than later.

Mr. LOUDERMILK. I appreciate that. As you have stated so often, we do care, to make sure that everyone has the ability to have a quality home, especially those that just can't quite get there. But, what we can do to help, especially through the private sector as this is doing. I really appreciate you working with us, too. Again, we are getting the information on it. I appreciate your staff working with that.

Secretary CARSON. Absolutely.

Mr. LOUDERMILK. With that, Mr. Chairman, I will yield the remainder of my time. Thank you.

Chairman HENSARLING. Gentleman yields back. The Chair now recognizes the gentleman from Minnesota, Mr. Ellison.

Mr. ELLISON. I thank the Chair and the Ranking Member. Welcome to committee, Dr. Carson.

Secretary CARSON. Thank you.

Mr. ELLISON. I am a Detroiter, too. I am representing Minnesota and I have for the last 30-some years. But I went to high school and grade school right there in the city of Detroit.

Secretary CARSON. Wayne State, too, right?

Mr. ELLISON. Yes. Anyway, Mr. Secretary, I will admit to you that when you became HUD Secretary, I met with people in my community who I work with on housing, and because of just politics, not all of them were excited about you becoming HUD Secretary.

But we agreed that we would invite you to our district to talk with you about your ideas and share with you ours. I wrote you a letter on I believe March 22, inviting you come and it didn't get a response, so I wrote you another letter on July 6, and that got no response, so we sent you a e-mail, and in the e-mail your assistant said that you didn't get the mail and apologized for that, but said that they don't have any travel plans booked for Minnesota.

I want to offer an invitation to Minnesota, and I want to tell you that I will guarantee that you will be treated with the utmost respect even if people have very different opinions than you hold. Will you come?

Secretary CARSON. I appreciate—you will invite me in the summertime, right?

Mr. ELLISON. I am thinking more like fall, but it still will be nice. It is Michigan weather basically, plus five points on the cold side.

Secretary CARSON. What I really appreciate about your invitation is that you said we would be treated with respect.

Mr. ELLISON. Yes, I will guarantee it.

Secretary CARSON. Because I think that is how we make progress.

Mr. ELLISON. But let me tell you—so what do you think? Will you come?

Secretary CARSON. I would certainly not be disinclined.

Mr. ELLISON. I just want you to know that it's—we believe that no matter—we want to work with the Secretary no matter who it is, and we are looking for ways to help put people in more housing in a better set of terms for them.

We have a serious affordable housing crisis in Minneapolis and in all of our whole State of Minnesota it just won't do to not be in conversation with the Secretary regardless of our philosophy versus yours.

Secretary CARSON. Exactly.

Mr. ELLISON. I am for the whole world I have asked you and for the whole world I think you are saying you will think about it.

Secretary CARSON. We will put it on the list, absolutely.

Mr. ELLISON. Yes, because when I hear other members saying that you went to their district, I am thinking, wow, we are nice people in Minnesota too, and we would love to see the Secretary.

Your predecessor Julian Castro came three times, and he can assure you that we are serious about working on housing, and that will be the focus.

Secretary CARSON. All right, sounds good to me.

Mr. ELLISON. Now, he came three times. You shocked? Anyway, I will say that I was a little surprised in a not good way when it appeared as though the HUD mission statement removed the phrase build inclusive and sustainable communities free from discrimination.

Is that going to be the final mission statement under your secretaryship?

Secretary CARSON. You probably weren't here when I addressed that earlier, but, it's a three part process. The first part we said we would find a way to shorten this statement so that people can remember it.

The second part was a broader exposure to the entire leadership team and the third iteration was everybody at HUD, including in the field offices, and we are in the process of gathering all that.

Then the final statement will come out. This was by no—this wasn't even close to the final statement, but people saw it as an opportunity to—

Mr. ELLISON. Forgive me, sir, because we have limited time. State for me and the world your commitment to making sure that anti-discrimination in housing will be a part of the mission statement under your leadership.

Secretary CARSON. When we get back the feedback from all of our people that will be what it is going to be, and if it includes that, absolutely.

Mr. ELLISON. Let me also say that I am more than a little, I am actually quite a lot concerned that you indefinitely halted the implementation of HUD's Affirmatively Furthering Fair Housing rule, which carries out a key mandate under the Fair Housing Act.

I think that given the—have you heard of a podcast called Reveal from the Center of Investigative Reporting?

Secretary CARSON. Sounds familiar.

Mr. ELLISON. If you haven't, I would like to send you that so you review it, we have a serious housing discrimination problem in our country, and I hope you address it.

Chairman HENSARLING. Time of the gentleman has expired. For what purpose does the Ranking Member seek recognition?

Ms. WATERS. Mr. Chairman, pursuant to Clause (d)(4) of committee rule three, I request that the gentleman from Minnesota be recognized to question the witness for an additional 5 minutes, upon the conclusion of the time allotted under the 5-minute rule.

Chairman HENSARLING. Pursuant to Clause (d)(4) of committee rule 3, the gentleman from Minnesota will be allotted an additional 5 minutes at the conclusion of his time, two members on the republican side will be recognized.

Gentleman from Minnesota is recognized for an additional 5 minutes.

Mr. ELLISON. I will yield time to Mrs. Joyce Beatty of Ohio, a distinguished member of our committee.

Mrs. BEATTY. Thank you, let me start this out by saying there is something we agree on, and thank you for your statement that we are in a very dangerous place now and we can only be torn apart from the inside.

I think that is very true and I think this President has placed us in a very dangerous place and is tearing us apart. I won't repeat the question, because I am thankful to my colleague who just asked the same question about the anti-discrimination clause.

But let me just ask you this, when we look at your rent increase Work Requirements Act of 2008. When my colleague said that it was tripling going from $50 to $150, when we look at it going from 30 percent of the adjusted income to 35 percent gross, you said it didn't affect many people. Can you qualify that by defining numbers of what not many people, because there's a chart and I recognize you can't see it behind you, that has some very alarming numbers to me, but what are your numbers when you say not many?

Secretary CARSON. I was talking about the minimum rent, the $50 to $150. Yes, that would be less than 10 percent of the people.

Mrs. BEATTY. Ten percent of what number, when you say the people?

Secretary CARSON. Of people who are supported in housing?

Mrs. BEATTY. How many people is that, Mr. Director?

Secretary CARSON. About 4.7 million households.

Mrs. BEATTY. If we take, you said 10 percent of that?

Secretary CARSON. I said less than 10 percent.

Mrs. BEATTY. Less than 10 percent, so 9 percent or 8 percent, not going to hold you to it. I think any time it is the least of us, so let me ask you this, how do we help them, is it through waivers, is this an established program, because here's what I do know; twenty years of being a consultant for HUD, what I do know is many, if not almost all of the people, they want to work, they want to be, to use our terms in housing, self sufficient.

They oftentimes go from a public housing to Section 8, what will you and your team do to help them on the job aspect? Is there a program that will move them to employment? How much time will they get to—so can you talk to the Nation and give me the confidence that there will be an allocation period? I know people live here and they don't get a job immediately, and they are well educated. How does this really work?

Secretary CARSON. We have put a tremendous emphasis now on Section 3, which is part of the Fair Housing Act. It has been on the books for 50 years and it's hardly been used. It requires that if you are receiving HUD money, that you hire the low income people in that area, or train them, or give them contracts. People have found lots of ways to get out of it.

We are in the process of closing all those loopholes to make sure that they can't—

Mrs. BEATTY. Can you give me one example? Because you are right, I am very familiar with it and it's been on the books, and as you said, respectfully too, it's not working. Tell me what and how you are going to make a difference that nobody else has done?

Secretary CARSON. We have put together a taskforce specifically on Section 3. We had a big national meeting in Texas just the week before last, with people coming from all over the country, from various PHAs to learn about the new things that have been done in that arena, in order to increase that program. In addition to that—

Mrs. BEATTY. I don't want to interrupt you, but it's because of the clock; not being disrespectful—Taskforce, meetings, that is not—and I can tell you; I know the other HUD directors at taskforce, I have been to meetings. They have had hearings. That is not tangible.

A lot of the reason this is very important to me is people are calling us and saying, am I going to be evicted? Am I going to be homeless? What happens if this doesn't happen? Because we also know that if you look at—there's no State in America where a person earning the minimum wage can afford a two bedroom apartment at market rate.

In my State, I can tell you, they have to make $17.50. If you had two people in there, they would both have to be making more than our minimum wage to get there. That is not realistic. I guess I need some more tangibles for me. If you don't have them you can send them to me.

Secretary CARSON. We need a lot of time to talk about that.

Mrs. BEATTY. OK, so will you make a commitment that you will have someone on your team, because now I don't feel disrespected that I heard my colleague sent you three letters and you didn't even answer him.

Let me end with this: We have been quoting the Bible. God will repay each person according to the work they do. That is Romans.

Chairman HENSARLING. Time for the gentleman from Minnesota has expired. The Chair now recognizes the gentleman from California, Mr. Royce, the Chairman of the House Foreign Affairs Committee.

Mr. ROYCE. Thank you, very much, Mr. Chairman. I appreciate this hearing today. I appreciate Secretary Carson being with us. Mr. Secretary, we have seen a large uptick in the number of nonbank mortgage originations.

I was reading a paper about this yesterday. They were half of the market in 2016, three quarters of the mortgages issued by the FHA or V.A., and the rise in Ginnie Mae nonbank share has continued to climb in 2018. If we look at the data from the Urban Institute, it puts that number at 79 percent in May. What do you think the main causes of this market shift have been? Are you concerned by the shift?

Secretary CARSON. I am concerned about it. I think a lot of it has to do with false claims acts. Some of the traditional deposit banks are concerned about being severely penalized for immaterial mistakes. We are addressing that, along with the Department of Justice. It's a significant concern.

Mr. ROYCE. Another aspect of this that I think we have to think on is that high volume, nonbank lenders played a pretty substantial role in the financial crisis. In many cases, they were the first to fail under liquidity pressures.

When the well runs dry, if we think back to Countrywide and Ameriquest and New Century, those were quick to basically fall like a house of cards. While many nonbank originators in the market today are using more sophisticated tools, and some hold increased capital, the majority continue to be vulnerable to liquidity pressures in both their loan origination and servicing activities.

Right now you have a situation where times are good, low interest rates, streamlined programs at the FHA, V.A. and so forth. Everybody's opened for securitization; Ginnie, Fannie, Freddie, lines of credit quite plentiful, but there's no guarantee that this is going to last.

I was hit by the testimony by the President of Ginnie Mae, Ted Tozer. He said, we have depended on sheer luck; luck that the economy does not fall into recession and increase mortgage delinquencies, luck that our independent mortgage bankers remain able to access their lines of credit, and luck that nothing critical falls through the cracks.

The worry here is, do these nonbank lenders have the resources to withstand a real life stress test? If we have the stress test that we had in 2008; if that reoccurs, and we move so much into this sector, and so hat is what I was going to ask you.

Secretary CARSON. I think stress testing should be done. I was talking to some of the people at Ginnie Mae about that just recently.

Mr. ROYCE. Yes.

Secretary CARSON. It's a concern. I agree with you.

Mr. ROYCE. What about on the Government side? In many ways, FHA appears poorly prepared to oversee these nonbanks, because of their outdated technology and risk management systems.

Secretary Carson, are you comfortable with the risk management and the technology at FHA to do that? Or are you looking to improve it?

Secretary CARSON. The technology needs to be drastically updated. We have a new fee that we are seeking to do for single family, which will help with some of the updating. We recently got a grant, also, to help with it. But we still are woefully behind. I can't emphasize strongly enough to all appropriations members that we have to do this before a disaster occurs. We have to.

Mr. ROYCE. Thank you, Secretary Carson, I concur. Mr. Chairman, I yield back.

Chairman HENSARLING. Would you yield to the Chairman?

Mr. ROYCE. Absolutely.

Chairman HENSARLING. I thank the gentleman for yielding. In the remaining time, Secretary Carson, I just want to go back again and talk about the I.T. system. I know that the gentleman from North Carolina had some questions, as did the gentleman from California.

I guess the question is instead of spending hundreds of millions of taxpayer dollars to update the FHA's system, couldn't we save those dollars and import Fannie's and Freddie's risk management and technology platforms, which the taxpayers are paying for anyway?

Secretary CARSON. I would not be opposed to that.

Chairman HENSARLING. OK, thank you. Time of the gentleman from California has expired.

The Chair wishes to announce that we expect to excuse the witness at one o'clock. Votes on the floor are expected shortly thereafter. The Chair now recognizes the gentleman from Minnesota, Mr. Emmer.

Mr. EMMER. Thank you, Mr. Chair, and thank you, Mr. Secretary, for being here today. I want to follow the Chairman's questions just now, and I think it was maybe representatives Lucas and Barr that touched on this I.T. stuff before Representative Royce.

I haven't heard, and if you already said it, I apologize, but everybody's raising this as an issue and asking you to confirm that the I.T. systems are woefully behind and outdated. In some cases, 40 years old. But I don't know that I have heard you describe what efforts you are undertaking internally to address the problem, and when you talk about the appropriations, great, but what is it that you are doing within the agency, is there a strategy, is there an approach, could you fill us in if there is?

Secretary CARSON. Yes, unfortunately we are spending about $250 million patching up the various networks that we have. We are in the process of transitioning to a cloud based system, and that has been going on for about the last 8 months or so.

But it really needs a much bigger overhaul than that. Right now we are doing patchwork.

Mr. EMMER. Have you prioritized which systems need to be addressed first? Do you have a priority list, or is it just all of the above?

Secretary CARSON. I would have to say pretty much across the board we don't have anything that is highly modernized.

Mr. EMMER. All right, well let us move on. I have been encouraged to see a renewed focus in reviewing and reevaluating Federal regulations under this Administration. In January, HUD announced that it would be conducting a, quote, "wholesale review of its manufactured housing rules as part of a," quote, "broader effort to identify regulations that might be ineffective, overly burdensome, or excessively costly given the critical need for affordable housing."

The public comment period for the review ended at the end of February. Can you shed some light, for the committee, on your plans to reform HUD's regulation of manufactured housing?

Secretary CARSON. We should be coming up with new rules and with a significantly culled down group of regulations before the end of this year.

Mr. EMMER. So, that would be the timeline, by the end of 2018?

Secretary CARSON. Yes.

Mr. EMMER. What can you do, if possible, to expedite the review and make the necessary changes as soon as possible? You heard my colleague from Minnesota inviting you to our great State because of the issue of affordable housing and manufactured housing would seem to be one of the solutions.

Secretary CARSON. I will continue to push the group to move even faster. Hopefully it will be considerably before the end of the year.

Mr. EMMER. All right. As part of the Administration's recently released reorganization plan, which I know you were also asked a couple of questions about, there have been calls to move the USDA loan guarantee and rental assistance programs to become part of HUD.

It appears that the rural community development programs would stay at USDA. How would the Administration's reform plan proposal to move some of the USDA housing programs to HUD, while leaving other housing programs at USDA, benefit our rural communities?

Secretary CARSON. First of all, these are very high level initial thoughts that are coming out. There hasn't been any substantial reorganization of government for almost 100 years and the attempt is really to put like things under the same roof to try to cut down on some of the duplication.

In terms of rural housing, HUD already does more than the USDA does. That is not a difficult move at all. USDA agrees, they say please take it, no problem. That is the rationale behind it.

Mr. EMMER. All right, you believe that it will streamline or the people that report to you believe that a streamlined process within HUD is going to be beneficial to rural communities?

Secretary CARSON. Absolutely.

Mr. EMMER. All right. Thank you, Mr. Secretary, I yield back.

Chairman HENSARLING. The gentleman yields back, the Chair now recognizes the gentleman from Colorado, Mr. Perlmutter.

Mr. PERLMUTTER. Mr. Secretary, thanks for taking the time today to visit with us. I have—let me preface my remarks, just—Mr. Ellison started talking about the housing situation in the Minneapolis area, where affordable housing is really becoming hard to find.

In Colorado, my district, I represent the suburbs of Denver and the Denver metropolitan area, we have enjoyed a good economy probably five, 6 years running, to the point where my district, I have been under 3 percent unemployment for at least 5 years now.

Very strong, but as a consequence, we have seen a lot of congestion on our highways, so an infrastructure issue, and housing, particularly for the disabled, the elderly, the low to moderate income has really become hard to find. My question to you is what are you going to do about it?

Secretary CARSON. First of all, I should congratulate you, I have been to the Denver Housing Authority, I have seen some of the incredible things that are going on there, it is really quite impressive, and some of the things that are being done for the veterans there also, very, very impressive.

We will continue to work with the different localities and push the concept of public-private partnerships, because that is what is been so successful in your area. The more we can spread that, the faster we can create the housing that you are talking about.

Mr. PERLMUTTER. Thank you, so I guess one of the things I am concerned about is just what I see, the continued pairing of the housing line items for the elderly, the disabled, low to moderate income in your budget, in the HUD budget.

I am looking at 2016, 2017, 2018 and then the proposed budget for 2019, and I know earlier an answer to one of the questions is, well we really can't afford to do that, to do more. Do you really believe that?

Secretary CARSON. I don't think I said we couldn't do more, I said we have to be fiscally responsible.

Mr. PERLMUTTER. All right so I agree with you 100 percent. Now we are going to do a little math, OK, because you are a super scholar, and I am—and I will help you, because I have already done the math.

But let's talk about what the GAO says the cost of the Federal budget is going to be of the tax cuts that were just passed. We are going to take the low end of the loss to revenue, and that is $1.5 trillion. $1,500 billion, you don't—$1.5 trillion is $1,500 billion.

Secretary CARSON. Right.

Mr. PERLMUTTER. OK. What is the budget for HUD for last year, this year and next year? What was your 2017 budget?

Secretary CARSON. Our 2017 budget without D.R. was about 42.

Mr. PERLMUTTER. Next year, what is the proposed budget?

Secretary CARSON. Going to be in the same general region.

Mr. PERLMUTTER. OK. Now, let's drill down a little deeper. Do you remember what the line item is for elderly housing? Let me help you, it is, at least for 2018, it was about $666 billion or it had been up at $721 billion, then cut a little bit, cut a little bit more. But, for argument's sake, let's say $700 million.

Secretary CARSON. Right, but it ended up substantially more than that.

Mr. PERLMUTTER. Because of the House, we gave a little more. But it had been cut, true?

Secretary CARSON. Right.

Mr. PERLMUTTER. Do you know what persons with disabilities, what that line item is? I will just help you. It is, at least in your budget, it was $175 million.

Do you have any idea for how many years you could have—let us say it is $1 billion, between elderly, disabled, and other subsidies for housing? Say it is $1 billion, we will make the math easy, how many years could you provide those programs for people under that tax cut?

Secretary CARSON. I will tell you, you are preaching to the choir. I spent a lot of time going up and arguing for the elderly and the disabled.

Mr. PERLMUTTER. I think that is the real problem here. We make a tax cut that goes to big corporations and the wealthiest Americans. Some of the most vulnerable people are going to be hurt by this; and, it is your job to make sure they are not.

Secretary CARSON. We are working hard on that.

Mr. PERLMUTTER. I yield back.

Chairman HENSARLING. Time of the gentleman has expired. The Chair wishes to inform members, I expect to clear four more members in the queue prior to dismissing the witness. The Chair now recognizes the gentleman from Maine, Mr. Poliquin.

Mr. POLIQUIN. Thank you very much, Mr. Chairman. Mr. Carson, always good to see you and thank you very much for your service to our country, I appreciate it.

About a year ago, this committee passed a sweeping package of regulatory forms to our financial services sector called the CHOICE Act. We sent it to the Senate, Senate watered it down, and they came back with a final product called 2155 that I am very supportive of.

However, we have a little bit of a problem, Mr. Carson, that bill did stop the harmful practice of loan churning which targeted recipients of V.A. loans. Now the technical changes in the Ginnie Mae pooling requirements, which were dealing with this anti-churning provision caused some disruptions in the market for refinanced V.A. loans.

My question to you, sir, is will you and your staff commit to working toward a solution to this problem? Because these V.A. loans met all the requirements that were set forth in the Ginnie Mae requirements, is that something you will work with us on, sir?

Secretary CARSON. We have already done quite a lot in the area of the V.A. loan churning. We will continue to do so. Absolutely, I will commit to that.

Mr. POLIQUIN. Great, appreciate it very much. I would like to turn to another issue, if I may, Mr. Carson. You have a very compelling life story. There are three parts of your life story that puts you in a very unique position to deal with issues that affect many, many Americans. You escaped poverty, you lived in public housing, and you are a physician. This is just the American dream. There are so many of us that so admire you for having done that. You are in a position, because of your position, to, professionally and otherwise, to help so many Americans.

For 3 years, I worked very hard to help include work requirements for those receiving food assistance in this country. Those requirements are embedded in our Farm Bill that we passed last week. I happen to believe, and I know you do too, Mr. Carson, that the role of government is to help people escape poverty, not help them become comfortable in poverty. There's nothing like employment to help people lift themselves up, the way you did in your own life, sir.

Secretary CARSON. Right.

Mr. POLIQUIN. Now, in this Food Stamp Program, where work requirements are now attached and now it is on its way to the Senate, there were no cuts to the Food Stamp Program. There are all kinds of exemptions, if you are pregnant, or if you have young kids at home, or elderly parents at home you are taking care of, or if you have any disabilities at all.

We are just saying, if you can get a job at least 20-hours a week, or if you can't find a job—which is very, highly unreasonable today, we will make sure you get job training so you can get a job. If that doesn't work, we will ask you to do some community service so you can better your life, and your kids and your grandparents can see this.

Isn't that a good idea? If so, Mr. Carson, what are you doing at HUD to promote folks escaping poverty, living better lives with more opportunity and more freedom?

Secretary CARSON. Thank you for asking that question. Important, that is what real compassion is about. Quite frankly, it's actually getting people out of poverty. Not saying, "there, there, you poor little thing, I am going to take care of you." What we are doing—that is the whole concept behind our push on Section 3 because there are 6 million skilled jobs in our country that are going—begging right now.

That is the whole concept behind the EnVision Centers, where we bring resources in juxtaposition with the need. Because what I have discovered, in this country, there are a lot of good-hearted people who really would love to help, they just don't have a mechanism for doing it. That is going to be a big part of it.

Also, creating holistic communities, creating communities that are nurturing, not dangerous places, but places that have good educational facilities; that have clinics so that people will get their primary care in a clinic and not in an emergency room that costs five times as much. Just doing something that is actually going to be nurturing to a person as they grow.

Mr. POLIQUIN. Thank you, Mr. Carson. We have a horrible opioid epidemic in our country. It has hit rural Maine very hard. I noticed that you folks are now doing a great pilot program, using Section 8 vouchers, so folks can go on that Continuum of Care. After early education, after treatment, post-detox treatment recovery and now they can use Section 8 vouchers to get into housing where it's safe, away from bad actors, and get the counseling they need. Please keep doing those things.

Secretary CARSON. Thank you.

Chairman HENSARLING. Time of the gentleman has expired. The Chair now recognized the gentleman from California, Mr. Sherman.

Mr. SHERMAN. Thank you for being here, Mr. Secretary. People in my district face very high housing costs in the greater Los Angeles area. They long for that time when they can actually own a home. The FHA is what they rely on.

There have been discussions at FHA to lower the total amount you can get on a mortgage, what is sometimes called the loan limit. Basically make that program unavailable to people in the San Fernando Valley.

Please tell me this isn't going to happen, that you will at least keep the loan limit where it is? For high cost areas around the country, including the 10 biggest cities.

Secretary CARSON. There's a formula for determining the high and the low level of the loan limit. 150 percent versus 65. But the good news for you is, those loan limits are set by Congress and not by HUD.

Mr. SHERMAN. Can I count on you to guide Congress to at least keeping the loan limits where they are?

Secretary CARSON. I have no problem working with you on where the loan limits should be.

Mr. SHERMAN. I will take that as a yes and go on. There has been a source of confusion for FHA lenders with regard to the eligibility of various down payment assistance programs, particularly those that involve premium pricing.

Can we count on HUD to issue more detailed guidance so that lenders can understand what programs, what practices are permissible and what aren't?

Secretary CARSON. Thank you so much for asking that question, because it's very important. Some of the loan down payment programs have been a disaster, and have led to a lot of defaults.

Others have not, and being able to decipher which ones are which and making those recommendations are very important and we would be very happy to do that.

Mr. SHERMAN. You will be studying this, determining what the rules ought to be, and issuing the clear guidance so that people will know what is kosher and what isn't?

Secretary CARSON. Very much so.

Mr. SHERMAN. We look forward to those—any idea what the timeframe would be as far as issuing additional guidance in that area?

Secretary CARSON. I will have to consult with the group that is working on that.

Mr. SHERMAN. OK, we will make that a question for the record and I will ask for an explicit time there. There has been this proposal released by the White House to restructure the whole Federal Government. Part of that moves the community development block grants from your agency to the Department of Commerce. I have been here for a long time, I have grown bald in the service of my country.

To paraphrase, President Washington, General Washington at the time, and I have seen people move boxes around at great expense and delay and confusion and then nothing actually gets any better.

Can you see any particular—what is your view on moving CDBG from your department to Commerce, and what would be the plan to make things better?

Secretary CARSON. Back when you had hair, this was brought up before too, as you probably remember. It is a high level proposal, there's obviously going to be a lot of back and forth. It is unclear where the dust will settle on that one.

Mr. SHERMAN. But, I have heard arguments in favor of CDBG, I have heard a few arguments against, I am persuaded it's a good program, but is there anything your department is doing wrong in running this program that would somehow be corrected if we moved it to the Department of Commerce?

Secretary CARSON. I can tell you right now, we are looking at CDBG in terms of how it can be reformatted in such a way that some of the abuses that have occurred in the past will not occur any longer, and that will happen whether it stays at HUD or whether it goes to Commerce.

Mr. SHERMAN. I would strongly recommend conferring with Members of Congress as to how money is spent in their own district, Mr. Secretary, I am sorry I wasn't here at the beginning of your testimony, I was out visiting immigrant children who had been separated from their parents and I yield back.

Chairman HENSARLING. Time of the gentleman has expired. The Chair now recognizes the gentleman from West Virginia, Mr. Mooney.

Mr. MOONEY. Thank you, Mr. Chairman. Mr. Secretary, thank you so much for coming to West Virginia and touring the drug rehab housing and seeing what we are doing on the ground there, really appreciate that. You remember one thing—I am just going to remind you of a couple things that were brought up at the time.

One was that, in one of the recovery centers, it was all female, a lot of the females in recovery are not wanting to live near men, men have been abusing them in many cases and they want single-sex housing available to them.

It has been very effective, and there were some HUD rules that were getting in the way of that. If you could please continue to address that, I would appreciate it.

I know the beginning of your testimony you mentioned your mandate of protecting people from discrimination, regardless of their color, race, national origin, religion, sex, disability, or a family status.

What is not mentioned in the HUD mandate is looking at crime data, and I just want to again applaud something that you are doing, I read a New York Times article from March 20, 2018 detailing some of the relief you have provided to some cities.

They had mentioned Hesperia and Houston and other cities that were wrongly targeted under Obama, using crime statistics to keep child molesters out of neighborhoods where there are little children, and they were being targeted as if that was discriminatory. It was outside of HUD's mission, I just want to applaud your continued efforts there to bring fairness to the cities around this country that are attempting to have housing in ways that are appropriate, similar to the HUD regulations.

Secretary CARSON. Absolutely.

Mr. MOONEY. I know there's more people in the queue, so I don't want to necessarily take all my time, if you have any comments on that, please do.

Secretary CARSON. You said the key word right there, and that is fairness. Everything that we look at, we need to take everybody's point of view and what works for them.

What we started doing as a society is picking a group, the group de jour, and you know, their rights trump everybody else's. That is not how America was designed, and I think we have a real duty to make sure that we don't go down that pathway.

Mr. MOONEY. Thank you, Mr. Secretary.

Mr. HILL. Will the gentleman yield?

Mr. MOONEY. I will be happy to yield my time to the gentleman from Arkansas, Mr. Hill.

Mr. HILL. I thank my friend from West Virginia. Mr. Secretary, it's great to see you today, thanks for your ability to stay with us. Thank you for coming to Arkansas, it was a real pleasure to show you the success of the RAD program and public housing and both in Little Rock and North Little Rock, where over $100 million will be putting in the ground for our public housing residents. One building unit I looked at was built in 1937, so I am glad we have rushed around to getting it completely fixed. Thank you for that.

Secretary CARSON. It was very impressive some of the things that were going on there.

Mr. HILL. I want to talk to you about the EnVision centers, this is a good initiative of HUD and you toured our house in Little Rock, which I think could be a real model for managing envision centers.

Is it your vision about EnVision that the non-profit sector could take the lead in providing those services to our public housing residents?

Secretary CARSON. Absolutely, and it is very important that they do take the lead in doing it, because we want the ownership and the direction to be locally based. We intentionally designed the program so that you wouldn't have a bunch of bureaucrats in Washington trying to run it, and that way it is not altered when Administrations switch.

Mr. HILL. Also, Mr. Heck was talking to you about housing affordability and one of the best things I have noted about housing affordability this year is that incomes are up in our economy. Some people have derided the President's tax cuts act as crumbs or hip hip hooray that the economy is doing better. But in my district, the typical FHA loan's about $119,000. If you look at the interest cost of that, a $2,000 benefit to a family—

Secretary CARSON. It's big.

Mr. HILL. It's like 3 monthly payments.

Secretary CARSON. Absolutely.

Mr. HILL. That is like 50 percent of a down payment for an FHA loan. More than covers the insurance for that whole family, for more than a year on a house of that size. I hate the derision about the success of letting families keep more of their income, but I think it will help us boost housing affordability across this country, and get more families into housing.

Do you share that view?

Secretary CARSON. Absolutely. As the old saying goes, a rising tide floats all boats. Anything that we can do that increases the economy and increases opportunities for people, obviously solves a whole lot of problems.

Mr. HILL. The other thing, and Mr. Heck talking about housing affordability, a worthy topic, another thing I know in some districts, Arkansas's very affordable. We encourage all the people to come live and work in Arkansas where housing's affordable.

But in certain places I hope you will speak out against excessive costs, regulatory costs, development costs that drive up the costs per unit of housing, like in Southern California, for example.

Secretary CARSON. That is one of the big issues there, is the zoning restrictions and the regulatory costs that have driven things out of sight. What we are going to be doing with AFH is getting people to relax some of those things.

Mr. HILL. Thank you very much.

Chairman HENSARLING. Time of the gentleman has expired. Chair will now recognize the gentleman from Florida, Mr. Crist.

Mr. CRIST. Thank you, Mr. Chairman. Secretary Carson, thank you for being here today.

Secretary CARSON. Absolutely.

Mr. CRIST. A pleasure to see you.

I look forward to discussing with you several concerns I have with HUD. On June 7th, I wrote you a letter, along with the entire Democratic Delegation from Florida, about how your proposed rent hikes on the poorest Floridians would evict 1.7 million Americans, including 1 million children.

Now, I appreciate that, since then, you have decided to not put that plan into effect to triple rents on the most vulnerable in my district and throughout the country. However, even without tripling rents, the moral compass of the Making Affordable Housing Work could use a recalibration; specifically the plan to eliminate deductions for medical expenses and childcare, will target poor single parents, who spend a disproportionate share of their very limited income on the basic needs of their children.

Single parents do the work of two people. We should be offering them a hand up, not slapping them on the wrist with a steep rent hike. I am still awaiting a response to the letter. While I am, I would ask unanimous consent to insert the letter into the record, Mr—

Chairman HENSARLING. Without objection.

Mr. CRIST. Thank you. In the interim, Mr. Secretary, maybe you can shed some light for me, after the Republican Majority put a $1.8 trillion tax bill, 83 percent of which went to the top 1 percent in our country, on America's credit card. How do you justify taxing the poor single mothers by hiking their rent?

Secretary CARSON. First of all, this is an initial start of the conversation. A conversation that has to be had with Congress and all of these things will obviously have to be approved by Congress. We will be able to have that discussion. During that discussion, I think what you will discover is that in terms of the medical deductions, that primarily affects the elderly people who we are protecting, so they are not going to see rent increases for 6 years.

As far as the child care deductions are concerned with the new tax cut bill, there is a substantial augmentation of the child deduction credit. Those things are addressed in that sense, but the thing that is also missed is in those rare cases where in fact those are not adequate, we will be using waivers.

Mr. CRIST. Thank you. I would like to switch gears because there is a lot I would like to get to here, but I don't have that much time. Nearly one third of transgender Americans have experienced homelessness in their lives.

According to the 2015 U.S. transgender survey, over one fourth of those experiencing homelessness don't even bother going to a shelter because they fear mistreatment, and too often they are right. Seventy percent of those who stayed in homeless shelters reported mistreatment due to their gender, including 13 percent who were turned away or kicked out, simply because of who they are.

I will leave this chapter on the trans homelessness and shelter access with you to clear up any misconceptions that you might have about the community. I ask unanimous consent again, Mr. Chairman, to insert the 2015 U.S. Transgender Survey into the record.

Chairman HENSARLING. Without objection.

Mr. CRIST. Thank you, sir, because it is your job, because it is all of our jobs in fact, to protect and care for the vulnerable. I want you to know specifically—I would like to know what you are doing to protect the LGBT homeless population as it relates to their shelter?

Secretary CARSON. We feel that all of our citizens should be treated fairly, and we need to make sure that we consider the feelings of everybody, including people who feel that their gender is different than their biology would indicate.

In the process of doing that, we must also consider the rights and feelings of others who may not be comfortable in a situation where people who physically are very different from them claim to be their same gender. What I have suggested is that the shelters utilize ways, working with the people there, that everybody can find comfort, and that may be different for different places.

Mr. CRIST. Great, thank you very much, Mr. Secretary, I yield back.

Chairman HENSARLING. Time of the gentleman has expired, with the fact that votes have not yet been called on the floor and with consultation with the Secretary's office, I would ask unanimous consent that the next three speakers each be recognized for 2–1/2 minutes and then we will dismiss the witness without objection.

The gentlelady from Utah is recognized for two and a half minutes.

Mrs. LOVE. Two and a half minutes.

Secretary CARSON. My bladder thanks you for that. Thank you.

Mrs. LOVE. Two and a half minutes. Hopefully I will be able to get you out to Utah for more than 2–1/2 minutes, we are really excited to have you come out to the State of Utah.

I have—first of all, thank you for being here today, we had a couple of teachers that came to Washington recently and they saw you from a distance and they just thought the world of you and I wanted to tell you that.

I have always believed that people should be treated like assets to be developed and not liabilities to be managed, and I think one of the great places that we can do that is here and making sure that we are helping some of the potential that we have in this country.

I know that you are not really familiar with one of the programs that we have in the State of Utah, and it is the LifeStart Village program center. I want to give you a little bit of background because I think it's really important. It's one of the places I would like for you to visit.

What they do is they take single mothers, many of whom have substance abuse, or abusive relationships. They are brought into a group home, almost like an apartment, where it is clean, but they learn how to clean. They learn how to cook. They learn how to— there is some socializing that goes on. They get themselves out of debt.

Then, they graduate. After they have gone through certain stages, they will graduate into a townhome where they have a little bit more responsibility and they pay a little bit more. Then, they go on to a duplex where they have yard work and they learn how to do yardwork and they have a little bit more responsibility, to a single-home where they pay the majority of it.

In essence, this program takes them literally from homelessness to homeownership. It teaches them some great basic skills. They have lost a lot of their HUD funding because of the way that they are set up, because of the requirement that they have to get clean.

But what it does is, they actually are able to see—they are in a complex and they are able to see the graduating process, and pushes them into wanting to succeed, wanting to be in that single-family home. I had some questions for you on that. I think that those are the types of programs that we should be promoting, programs that literally, where we judge our success on not how many people we put into programs, but how many people we are able to get out of these programs to become contributing members of society. I just wanted to tell you I would really like you to come out and make sure that you are able to see that.

Secretary CARSON. I would like to see that program.

Mrs. LOVE. Promote that. Thank you.

Chairman HENSARLING. Time of the gentlelady has expired. The Chair recognizes the gentleman from Tennessee, Mr. Kustoff, for 2–1/2 minutes.

Mr. KUSTOFF. Thank you, Mr. Secretary, for being here. Thank you for your service to our Nation. If I could, as it relates to Community Development Block Grants, or CDBG, as I understand there are two formulas. There's a formula A and a formula B to determine the allocation of grants to a community.

The way I understand formula A, it allocates funds to a community based on its metropolitan share of population, of poverty and of overcrowding. Formula B, as I understand it, allocates funds based on the metropolitan share of growth lag, poverty, and pre-1940's housing. My question to you is, and I don't know how familiar you may be with those formulas—

Secretary CARSON. I am familiar with them.

Mr. KUSTOFF. Is it time to update how those formulas are calculated, or target funds toward those community development needs? If the answer is yes, do you have an idea about how, in fact, to update the calculations or the formulas?

Secretary CARSON. Yes. I have asked our people to evaluate every aspect of that program because it is in dire need of updating. We need to put the right kinds of controls in it. That is being done. It is going to take a while because it is a big and complex problem. But, the process has started.

Mr. KUSTOFF. I just heard you say that it's going to take a while. Would you have a guess as to how long it might take, what the horizon may be to update those formulas?

Secretary CARSON. I would hope we would be talking months and not years.

Mr. KUSTOFF. OK. Thank you very much, Mr. Secretary. Mr. Chairman, I yield back the balance of my time.

Chairman HENSARLING. Gentleman yields back. The Chair now recognizes the gentlelady from New York, Ms. Tenney. She will be the last member recognized before we adjourn. The gentlelady's recognized for 2–1/2 minutes.

Ms. TENNEY. Thank you, Mr. Chairman. Thank you so much, Mr. Carson. You are—not only are you and your life's work a national treasure, you are wildly popular and really just very well respected in my region. We would be completely honored to have you visit and see some of the unique issues that we have in our area. I am going to try to hit three really quickly.

I am not sure you are aware of it, it is a State issue that I am wondering if HUD can help us with. It's an issue known as the Special One Time Assistance Program in New York City, where our New York City mayor is sending people from New York City up to regions, including my district, where these people are actually getting public assistance for a year, and getting housing subsidies, and using our public assistance.

Is there something—obviously our communities are much poorer and have much, much less resources. It is interesting that our socialist mayor from New York City thinks that we need to bring these people to our district. We are happy to provide humanitarian aid, but we have less resources than New York City.

Is there anything that HUD can do, or you can do, to help us navigate through this or prevent this from happening?

Secretary CARSON. I just heard about this yesterday.

Ms. TENNEY. OK. OK.

Secretary CARSON. Absolutely it doesn't sound right and we are going to look into it.

Ms. TENNEY. Thank you, I appreciate it. The next big one is obviously the Community Development Block Grant. The Disaster Relief program, I know you have answered some of the questions on that.

But is there anything we can do in my flood-ravaged region—oddly enough landlocked, but with a lot of rivers, and streams, and problems with flooding. Is there anything that we can do or rely on with HUD on that side, where we can find some relief and some efficiencies that will help my region deal with the flooding issues on the HUD side?

Secretary CARSON. I hadn't heard a whole lot about flooding in your region, but obviously if it is existing, absolutely.

Ms. TENNEY. Thank you. It is, oddly enough, we are a landlocked area but we have a lot of flooding. On the last, I just wanted to talk a little bit about the Federal Housing Administration, the FHA, and some of the competitive advantages they have over in the lending space.

I'm wondering if there's anything we can do to obviously provide the relief and the security with an FHA loan that we need, but also not crowd out private lenders in the area so that they can be part of the equation. Is that something that HUD is considering?

Secretary CARSON. We always like the idea of bringing private capital into both the primary and the secondary markets.

Ms. TENNEY. Thank you so much for your service, we are grateful to have—

Chairman HENSARLING. Time of the gentlelady has expired. For what purpose does the gentleman from Florida seek recognition?

Mr. CRIST. I ask unanimous consent to insert into the record a petition that had been compiled by the Ranking Member.

Chairman HENSARLING. Without objection.

I would like to thank the witness for his testimony today. The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

This hearing stands adjourned.

[Whereupon, at 1:15 p.m., the committee was adjourned.]

APPENDIX

June 27, 2018

TESTIMONY

DR. BENJAMIN S. CARSON, SR.

SECRETARY OF THE
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

JUNE 27, 2018

INTRODUCTION

Chairman Hensarling, Ranking Member Waters, and members of this Committee, thank you for inviting me here today to testify before the House Financial Services Committee.

HUD has made tremendous progress since I last testified in October, so I am pleased to have this opportunity to update you on those developments and to discuss other innovative solutions to our nation's housing and community development challenges.

I want to thank the members of this Committee for your support of many of HUD's important efforts, including our mutual determination to end homelessness, our continued commitment to helping our citizens recover from unprecedented natural disasters, and our endeavor to make safe, fair, affordable, and healthy homes the foundation for human achievement, freedom, and growth.

HEALTHY HOMES MONTH

June is "National Healthy Homes Month." This is an important recognition of the significance of the home to our overall health.

I am proud that HUD has taken a leadership role in recognizing, evaluating, and championing a campaign to help Americans understand the important interaction between health and housing, and the impact our homes have on our health and the health of our children.

I'd like to thank Congressman Ted Budd, a Member of this distinguished Committee, who joined me in Greensboro earlier this month to kick off Healthy Homes Month. Together, we visited the Cottage Grove neighborhood to draw attention to the close connection between health and housing.

As you know, prior to becoming HUD Secretary, my life's work focused on the development of the human brain. In the course of treating countless young children, I became acutely aware of the horrible effects of lead poisoning on a child's mental and physical development. I knew I could treat the patient's symptoms or I could treat the patient. The patient's home must be a part of a holistic approach to treating that patient because you can't be healthy if your home is sick.

Every day, HUD's Office of Lead Hazard Control and Healthy Homes works to reduce lead poisoning and is a significant contributor to the ongoing development of a federal strategy to eliminate childhood lead poisoning. These programs enforce our lead safety regulations, publish scientific research on housing-related health issues, and conduct education and outreach with other federal agencies, state and local governments, non-profits, trade groups, and the private sector.

Currently, HUD supports about 120 local lead hazard control programs across the nation. Since these grant programs began in 1993, HUD has awarded more than a thousand grants in 45 states, making more than 200,000 homes lead safe for low-income families.

HUD is taking several actions to ensure compliance with our rules regarding lead-based paint hazards in older homes and to correct dangerous lead-based paint and other health and safety hazards.

The largest of these enforcement actions occurred recently in New York City. On June 11, HUD announced a historic agreement with the New York City Housing Authority (NYCHA), the nation's largest public housing authority, to resolve widespread issues of lead paint, mold, pest infestations, and other inadequate housing conditions. We worked closely with the Justice Department, the Environmental Protection Agency, and HUD's Office of Inspector General, to reach a consent decree that marks a new era for New York City's public housing, one that puts families and their children first.

Under the terms of the agreement, which is subject to review and approval by the Court, New York City will invest at least $1.2 billion over the next five years to abate lead-based paint hazards in tens of thousands of public housing units and will correct longstanding housing physical conditions issues including inadequate heating, failing elevators, and a significant backlog of work orders. The agreement also imposes a strong federal monitor to ensure that NYCHA provides decent, safe and sanitary housing in accordance with federal laws.

NATIONAL HOMEOWNERSHIP MONTH

June is also "National Homeownership Month." In his proclamation, President Trump said, "This month, we celebrate those Americans whose success and determination have helped make them homeowners. Their dedication to their families and communities, and to achieving a brighter and more secure future, is an inspiration to each person who is pursuing their own American Dream."

There are many benefits to owning a home. Homeownership serves as an enduring symbol of security and prosperity, and it provides many Americans with a legacy they can pass down to their children and grandchildren. Homeowners move far less frequently than renters, making it easier to build community networks and support systems. Homeownership is an investment in family, in community, and in the long-term prosperity of our great country.

Central to HUD's efforts to support responsible homeownership are the programs at the Federal Housing Administration (FHA). FHA's mission is to support sustainable homeownership in good times and in bad. During the housing crisis of a decade ago, FHA fulfilled its counter cyclical role by supporting borrowers when private capital receded from the market. FHA-insured mortgages accounted for approximately a third of all purchase lending activity during those troubled years, keeping access to credit available to families when few others would.

Today, we must make certain we prudently manage our risks and that is exactly what we are doing. One of the first actions the Trump Administration took was to suspend the prior administration's proposed decrease in FHA's mortgage insurance premiums. Had we not taken this action, FHA's capital reserves would have fallen beneath the levels Congress requires of us.

We also acted swiftly to place the Home Equity Conversion Mortgage (HECM) program's finances on a sounder footing for the future. FHA's HECM or reverse mortgage program has drained the Mutual Mortgage Insurance (MMI) Fund of $14.5 billion of economic value since 2009, as measured in the 2017 Annual Report to Congress. We are continuing to monitor this program closely to determine what additional changes may be needed to ensure this program remains an option for future generations of seniors, many of whom wish to "age in place" and can utilize an FHA-insured reverse mortgage to improve their quality of life.

Last year, FHA also ceased insuring new mortgages on properties encumbered with Property Assessed Clean Energy (PACE) obligations. As I said at the time, FHA can no longer tolerate putting taxpayers at risk by allowing obligations like these to be placed ahead of the mortgage itself in the event of a default. PACE obligations increase risks to FHA's MMI Fund and may have serious consequences on consumers' ability to repay, or when they attempt to refinance their mortgage or sell their home.

Maintaining the health of FHA's MMI Fund is critical if we are to continue to be an affordable source of credit for first-time, low- and moderate-income, and minority homebuyers. To mitigate risks, we are carefully scrutinizing policies that go beyond FHA's core mission because we're mindful of concerning trends.

For example, the share of cash-out refinances among all our refinance transactions is growing – from about 45 percent in April 2017 to nearly over 60 percent in April 2018. Also, in April 2018, over 24 percent of FHA home buyers left the closing table with debt-to-income ratios at or above 50 percent, up from 20 percent from the same time the year before. We are closely monitoring these indicators as they represent added risk to FHA's economic health.

In addition, FHA's Single-Family business recently experienced an uptick in Serious Delinquencies (SDQs) as well as Early Payment Delinquencies (EPDs). While these trends – which were in part due to the 2017 hurricanes and seasonality – have begun to moderate, we are concerned these increases are at least partly attributable to a decrease in mortgage credit quality.

Managing our risk also requires a stable technology platform for FHA. FHA can no longer put off substantial investments to our systems. FHA operates on a legacy mainframe that is over four decades old. Staff at our homeownership centers still work from paper case files, which not only presents inefficiencies, but also poses numerous risks to quality control. We can no longer pretend to be a modern mortgage insurance program with technology this old.

That is why HUD has proposed up to $20 million in the 2019 Budget to fund targeted improvements in single-family Information Technology (IT) and allow FHA to better interact with a modern financial system. To offset this funding increase, the Budget also proposes a modest single-family IT fee of no more than $25 per loan. We will continue to make as much progress on this important priority as possible within the resources available but are eager to work with Congress to ensure that FHA receives the funding it desperately needs.

In addition to the important work of FHA, HUD also is home to the Government National Mortgage Association (Ginnie Mae). Ginnie Mae is instrumental to attracting capital and providing liquidity to our nation's home mortgage market, especially for low- and moderate-income borrowers and our nation's veterans.

Ginnie monitors the safety and soundness of every lender authorized to issue a Ginnie mortgage-backed security (MBS), overseeing over $2 trillion in MBS obligations. Working with the U.S.

Department of Veterans Affairs, Ginnie Mae has taken decisive action to address abusive "churning," the practice of encouraging veterans to refinance their mortgages repeatedly, depleting their equity, and increasing their risk of foreclosure. These actions have not only helped protect veterans, but have also lowered mortgage costs for borrowers in the Ginnie Mae program.

FAIR HOUSING

This year marks the 50^{th} Anniversary of the passage of the Fair Housing Act. On April 11, 1968, one week after Dr. Martin Luther King, Jr. was assassinated in Memphis, President Johnson signed this landmark legislation into law and declared, "Fair housing for all, all human beings who live in this country, is now a part of the American way of life."

It was a seminal moment in our country's history when the ideals of equality and fairness were embodied in a law that continues to shape our communities and neighborhoods 50 years later. But the promises of the Fair Housing Act require our constant vigilance to confront housing discrimination in all its forms and to advance fairness on behalf of those seeking their American dream. A half century later, the Fair Housing Act remains a centerpiece of HUD's work.

As we continue our celebration of the 50^{th} Anniversary of the Fair Housing Act, HUD will rigorously protect people from discrimination, regardless of their color, race, national origin, religion, sex, disability, or family status. Each year, we receive approximately 8,000 fair housing complaints and, each year, HUD and our fair housing partners continue to enforce the letter *and* spirit of this landmark law.

ENVISION CENTERS

Earlier this month, I formally launched the first EnVision Center in Detroit and announced 16 additional demonstration sites across the nation. EnVision Centers offer HUD-assisted families access to a range of support services to move their lives onto a stronger financial footing and help them along the road to self-sufficiency. EnVision Centers fulfill one of the basic principles that guide this Administration: leveraging limited public-sector resources with those in private, philanthropic, non-profit, and faith-based organizations.

Located on or near Public Housing developments, EnVision Centers will be centralized hubs that serve as incubators to support four key pillars of self-sufficiency: (1) Economic Empowerment, (2) Educational Advancement, (3) Health and Wellness, and (4) Character and Leadership.

Through results-driven partnerships with organizations such as federal agencies, state and local governments, non-profits, faith-based organizations, corporations, public housing authorities, and housing finance agencies, EnVision Centers will leverage public-private partnerships to connect HUD-assisted households with services that offer pathways to self-sufficiency.

RENT REFORM

One of the most consequential policy reforms for which we are seeking the Committee's support is a proposal to reform the rental assistance programs administered by HUD.

HUD currently serves 4.7 million low-income families, more than half of whom are seniors and persons living with disabilities. The Department's combined rental assistance programs account for 80 percent of HUD's annual budget and the cost of serving the same number of households increases each year. Demand for these programs far exceeds available resources and this condition has existed for many years. In fact, it is estimated only one in four households that qualify for HUD assistance receive it.

HUD's rent policies have remained largely unchanged since the early 1980s. The system we currently use to calculate a family's rental assistance is overly complicated and provides a disincentive to employment. Public Housing Authorities (PHAs), private landlords, and tenants participating in HUD's rental assistance programs must navigate a complex set of rules to properly calculate a household's rent. Under existing rules, tenants are required to provide extensive amounts of personal information each year, which results in a rent increase if tenants experience even a modest increase in income. This operates as a disincentive to both sustained employment and income growth, the very things that would enable more tenants to become self-sufficient.

Likewise, owners and PHAs, many with limited staff, must spend many hours calculating the correct payments from families, who themselves are often confused by byzantine rent rules for income and rent calculations. The complex annual income recertification process creates a perverse set of conditions that increase the risk of inaccurate income and rent calculations and discourage progress toward self-sufficiency.

In April, the Administration proposed a simplified structure of core rents that offers a more transparent and predictable rent calculation, streamlines program administration for PHAs and owners, and is easier to understand for landlords and tenants alike. Under this core rent proposal, PHAs and owners would only be required to verify income every three years rather than annually. This would substantially ease the administrative burden on PHAs, owners, and residents and would effectively encourage increased earned income without adversely impacting a household's rent for up to three years. HUD would also create a menu of choice rent structures that PHAs and owners could implement, including the option to propose their own rent structures, to promote greater flexibility, local control, and self-sufficiency for non-elderly/non-disabled households.

DISASTER RECOVERY

On June 1, we marked the beginning of the 2018 hurricane season. As we continue the long process of recovering from last year's devastating hurricanes, HUD is squarely focused on supporting communities' recovery efforts. HUD is not a first responder agency following major disasters, but we do play a critical role to support long-term disaster recovery. HUD also has a government-wide mission to coordinate housing recovery, not just for HUD-assisted households, but for all Americans who are impacted by disasters.

Since Hurricanes Harvey, Irma, and Maria made landfall, and wildfires impacted California, HUD has awarded more than $35 billion through the Department's Community Development Block Grant – Disaster Recovery (CDBG-DR) Program. The CDBG-DR grants we have allocated include support for recovery in hard-hit areas in nine states, Puerto Rico, and the U.S. Virgin

Islands, addressing unmet housing, business, and infrastructure needs in the impacted areas.

These grants include more than $19 billion for major disasters that occurred in 2017 and nearly $16 billion to support mitigation activities in areas that experienced major Presidentially declared disasters since 2015.

Since announcing these allocations, HUD has worked intensively with Florida, Texas, Puerto Rico, and the U.S. Virgin Islands to review their action plans for the first tranche of funding. After finalizing policies to address remaining unmet needs, this fall, we will publish the rules of the road for the new mitigation program under CDBG-DR to help communities better protect themselves, reduce their risk, and lower the potential cost of future disasters.

In addition to the amounts discussed above, HUD manages an extensive portfolio of CDBG-DR funding that reaches back to prior disasters, such as Louisiana flooding in 2016 and Hurricane Sandy in 2012. We continue to take our obligation to effectively manage these disaster funds seriously and are committed to supporting the communities as they rebuild.

HOMELESSNESS PROGRAMS

HUD is also committed to making significant investments in the fight to end homelessness, in partnership with the United States Interagency Council on Homelessness, which HUD currently chairs. The Department's Point-in-Time count, conducted in January 2017, indicated homelessness was on the rise for the first time in a decade, primarily driven by high-cost housing markets along the east and west coasts. For FY19, HUD is requesting $2.383 billion, a $133 million increase over last year's request, which includes $40 million for rapid re-housing targeted to communities with high rates of unsheltered homelessness.

In addition to being a critical tool in HUD's broader fight against homelessness, the Continuum of Care (CoC) program is HUD's main tool to confront substance abuse and addiction issues. Last year, our grantees reported that 76,000, or approximately 25 percent of those served through CoC funding reported issues with substance abuse, including opioids. This is a worthy effort that we will continue to prioritize.

Last October, the Administration declared the opioid crisis a nationwide public health emergency, recognizing the overwhelming impact of this epidemic that is destroying families and tearing communities apart. The President also created the White House Interagency Task Force on Opioids, which brings together federal agencies and coordinates the joint federal response to the crisis.

In our fight to combat a scourge that is killing tens of thousands of Americans each year, HUD plays a critical role. HUD's senior leadership from all program offices is working collaboratively to recommend near-term actions to impact awareness and treatment, as well as thinking through strategic changes with rules and guidance that will support the efforts of interdiction, law enforcement, prevention, and recovery.

HOUSING FINANCE REFORM

From HUD's perspective, one of the key elements of housing finance reform is to ensure policymakers take a holistic view of our housing finance system. We believe any reforms should result in a well-functioning mortgage finance market where responsible borrowers have access to affordable credit, with more competition and choice and a larger role for private capital. Another key element of any reform is a reduction to the risk borne by taxpayers.

The Administration's government reform plan includes a proposal that sets forth a high-level blueprint for a reformed housing finance system that ensures more transparency and accountability to taxpayers and minimizes the risk of taxpayer-funded bailouts, while maintaining responsible and sustainable support for homeowners. We look forward to working with Congress and other stakeholders to obtain feedback and determine the best way to proceed.

OPPORTUNITY ZONES/TAX REFORM

The Tax Cuts and Jobs Act of 2017 is currently allowing countless Americans to keep more of their hard-earned money. We are seeing economic revitalization play out in communities across our nation as workers receive higher wages and bonuses after years of stagnant pay.

But the tax law has a larger impact for the most historically neglected and distressed areas in our country. Designated low-income communities called Opportunity Zones can help attract new businesses and improve economic development and entrepreneurship – the lifeblood of our economy.

Private investors are creating "Opportunity Funds" or "O Funds" to invest in Opportunity Zones. These O Funds provide for the deferral of capital gains and, for certain long-term investments, an exemption from capital gains entirely. This is a powerful incentive for private investors to make meaningful, long-term investments in our nation's neediest communities.

HUD will be working closely with Treasury to ensure that HUD's programs are complementary to these broader efforts. Working in concert with HUD's Rental Assistance Demonstration (RAD), the Low-Income Housing Tax Credit (LIHTC) Program, and other affordable housing production programs, these combined efforts provide us with a powerful opportunity to revitalize our nation's underserved areas – America's forgotten communities.

FINANCE TRANSFORMATION/TASK FORCE

Taxpayers support HUD's mission and they expect us to use their money wisely, maximizing the impact of every dollar and minimizing waste. Since becoming Secretary, I have been mindful of our responsibility to fulfill our mission and to be responsible stewards of these taxpayer dollars.

In March, I took a number of important steps to strengthen the financial integrity of the agency and correct lax internal processes and controls. Central to these efforts is HUD's Chief Financial Officer, Irving Dennis, who joined the Department in January after a distinguished career in the private sector. I have directed Irv to design and implement a transformation plan and lead an internal taskforce to combat waste, fraud and abuse.

This transformation plan will consist of:

- Implementing an improved agency-wide governance structure that allows for more oversight, transparency, monitoring and accountability;
- Developing a plan to restore discipline and accountability in the financial and reporting systems across the agency;
- Developing a holistic grant modernization plan to improve grant processes and reporting, including improved IT systems; and
- Promoting a HUD culture focused on documented and repeatable processes with a focus on transparency and cost reasonableness.

We simply need to do better. An updated system of internal controls will provide HUD with greater certainty that the dollars we spend are spent in a manner that satisfies all laws and regulations as well as the expectations of the American people.

CONCLUSION

HUD is committed to safe, fair, and affordable housing for the American people. It also acts as a stepping stone to opportunity and self-sufficiency so that families can graduate from assisted housing to economic independence. I am eager to work with Congress and all the members of this Committee in achieving these worthy goals to better serve our fellow Americans.

Congress of the United States
Washington, DC 20515

June 7, 2018

The Honorable Ben Carson, Secretary
United States Department of Housing and Urban Development

RE: Urge reversal of Trump Administration proposal to triple rents on poorest Florida families

Dear Secretary Carson:

As members of the Congressional Delegation from Florida, we write with grave concerns about your plan that would dramatically increase rents on the poorest Floridians.

This cruel proposal by your U.S. Department of Housing and Urban Development, Making Affordable Housing Work Act, reflects a lack of compassion and understanding of affordable housing in our state. Among the misguided provisions, you propose tripling rents on those in severe poverty. According to the Center on Budget and Policy Priorities, that alone would result in the eviction of 1.7 million Americans, including nearly one million children. Further compounding this problem is the way the proposal recalculates affordability. Local experts say perhaps most concerning is a provision to eliminate income deductions for families who pay medical or child care expenses. Under this proposal the majority of families will be paying more, even though they are already having to make choices between buying medicine and feeding their children. By failing to adjust income for spending on basic necessities and child care, it unfairly targets single mothers with steep rent hikes. As primary caretakers and breadwinners, single mothers are already doing the work of two parents. They have earned our support. Instead, HUD is proposing unaffordable rent hikes and homelessness with no justification.

At a time when 83 percent of the recently passed trillion-dollar tax bill is going to the top one percent of Americans, asking Congress to balance the budget on the backs of the most vulnerable is unconscionable. As representatives who care about our most vulnerable constituents, we stand prepared to work with you to pursue policies that would truly improve the state of affordable housing in Florida. As the economy continues to recover and more and more people move to Florida, even some middle-class families are finding housing unaffordable. We should continue to encourage development of new affordable units. In addition, we should be working together to make affordable housing accessible, specifically by reducing and ultimately eliminating waiting lists. For many of our neighbors, including struggling families, children, and seniors, the wait for rental assistance often stretches for years. We can more efficiently assist those in need by providing additional funding for cash-strapped public housing authorities and fully funding rental assistance programs to keep up with need. Finally, rather than imposing punishing work requirements, we should support those able to work with improved employment opportunities and skills training. We have a real housing squeeze in Florida and your rent-tripling proposal will make it worse for families across our state.

We vow to vigorously oppose the Making Affordable Housing Work Act as drafted and urge you to reverse course on this proposal that would hurt our most vulnerable constituents.

Sincerely,

Charlie Crist
MEMBER OF CONGRESS

Kathy Castor
MEMBER OF CONGRESS

Alcee L. Hastings
MEMBER OF CONGRESS

Debbie Wasserman Schultz
MEMBER OF CONGRESS

Ted Deutch
MEMBER OF CONGRESS

Frederica Wilson
MEMBER OF CONGRESS

Lois Frankel
MEMBER OF CONGRESS

Val Butler Demings
MEMBER OF CONGRESS

Al Lawson
MEMBER OF CONGRESS

Stephanie Murphy
MEMBER OF CONGRESS

Darren Soto
MEMBER OF CONGRESS

Dear Congress - Ben Carson and Trump's rent hike proposal would triple rents for the lowest income families. You must oppose any and all proposals that would raise rents and put stable, safe housing out of reach for more families. Instead, help solve the housing crisis by fully funding HUD and assess the need to reinstate inactive HUD programs that can support alleviating families from the burdens of the nationwide affordable housing emergency.

Signed by 100,322 people in the month of June 2018

Last month, Trump and HUD Secretary Ben Carson proposed increasing rents for the very poorest families and seniors in subsidized housing. Their proposal would impact over 4 million people and triple rents for over 700,000 families struggling to keep a roof over their families' heads.

The hypocrisy is appalling. Trump and Carson say they need to spend less money on people who need it to pay for the massive tax cuts they just passed - cuts that benefit the very wealthiest and corporations. After giving the richest 1% an average tax cut of more than $50,000 this year alone, the Trump administration now wants to hike rents on needy families by $780 on average.

But even that isn't the whole story. This is all part and parcel of their war on the poor and on people of color. While the majority of people receiving housing assistance in this country are white, the legacy and current reality of our structurally racist housing market means people of color are disproportionately hurt when programs are cut.

We need a radical rethinking of housing in this country - we need to fully fund HUD to meet the actual needs, prioritize the preservation, expansion and maintenance of public housing nationwide and we have to get the corporate profit model out of federal housing policy to make housing policy about people, not profits.

Petition sponsored by:

Americans for Tax Fairness,CarsonWatch, Center for American Progress Action Fund, CPD Action, Daily Kos, MHAction, Partnership for Working Families, People's Action, Progress America, and Right to the City Alliance.

Congress of the United States
Washington, DC 20515

June 18, 2018

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

Dear Secretary Carson:

On July 29, 2016, Congress overwhelmingly passed H.R. 3700, which made a number of changes to the Federal Housing Administration's (FHA) rules related to condominiums. In September 2016, the U.S. Department of Housing and Urban Development published its proposed rules to provide guidance implementation on the changes made under H.R. 3700 in order to better serve condominium markets.

Unfortunately, the final rules have yet to be published, and these markets remain stymied from new growth. FHA's current rules place significant restrictions on the purchase and sale of condominiums, even though they are often the most affordable homeownership option for first-time buyers, small families, and urban and older Americans. Condominiums offer residents access to amenities, services, and public transportation that build stronger communities and promote sustainable homeownership.

The changes included in the Proposed Rule, such as "spot loan" approval, reductions to burdensome certification requirements, and changes to the owner-occupancy ratio will ensure that condominium associations become more stable, homeowners will be able to successfully sell their units, and homebuyers will have more opportunities to purchase affordable properties.

We urge you to remove the current barriers to homeownership by finalizing the proposed "Condominium Rule" so that condominiums will remain an affordable option for American families.

Sincerely,

Bill Posey
Member of Congress

Emanuel Cleaver, II
Member of Congress

Rob Woodall
Member of Congress

Darin LaHood
Member of Congress

Blaine Luetkemeyer
Member of Congress

Leonard Lance
Member of Congress

Betty McCollum
Member of Congress

Salud O. Carbajal
Member of Congress

David Rouzer
Member of Congress

Michael Turner
Member of Congress

Edward Royce
Member of Congress

Duncan Hunter
Member of Congress

Mo Brooks
Member of Congress

Alcee Hastings
Member of Congress

David Scott
Member of Congress

Randy Hultgren
Member of Congress

James Comer
Member of Congress

Jan Schakowsky
Member of Congress

Jimmy Panetta
Member of Congress

Richard Hudson
Member of Congress

David B. McKinley, P.E.
Member of Congress

Bill Johnson
Member of Congress

Darrell Issa
Member of Congress

David P. Joyce
Member of Congress

Kyrsten Sinema
Member of Congress

Debbie Wasserman Schultz
Member of Congress

Mike Simpson
Member of Congress

Dave Loebsack
Member of Congress

Vicente Gonzalez
Member of Congress

Carlos Curbelo
Member of Congress

Mike Coffman
Member of Congress

Ralph Norman
Member of Congress

Bill Huizenga
Member of Congress

Jody Hice
Member of Congress

Ann Wagner
Member of Congress

David N. Cicilline
Member of Congress

Tom O'Halleran
Member of Congress

Paul Mitchell
Member of Congress

Rick Nolan
Member of Congress

Brian Fitzpatrick
Member of Congress

Diana DeGette
Member of Congress

Filemon Vela
Member of Congress

Alex X. Mooney
Member of Congress

Glenn Grothman
Member of Congress

Barry Loudermilk
Member of Congress

Rick W. Allen
Member of Congress

Walter B. Jones
Member of Congress

David Young
Member of Congress

Charlie Crist
Member of Congress

Andy Barr
Member of Congress

Dave Trott
Member of Congress

John H. Rutherford
Member of Congress

Daniel W. Lipinski
Member of Congress

Elise M. Stefanik
Member of Congress

A. Drew Ferguson IV, D.M.D.
Member of Congress

Katherine Clark
Member of Congress

Lisa Blunt Rochester
Member of Congress

Greg Walden
Member of Congress

Evan Jenkins
Member of Congress

Neal Dunn, M.D.
Member of Congress

Vicky Hartzler
Member of Congress

Lynn Jenkins
Member of Congress

Lee Zeldin
Member of Congress

John Curtis
Member of Congress

Chellie Pingree
Member of Congress

John K. Delaney
Member of Congress

Mimi Walters
Member of Congress

Madeleine Z. Bordallo
Member of Congress

John J. Faso
Member of Congress

David Price
Member of Congress

Lloyd Smucker
Member of Congress

Frederica S. Wilson M.C.
Member of Congress

Pete Sessions
Member of Congress

H. Morgan Griffith
Member of Congress

Tom Marino
Member of Congress

Lucille Roybal-Allard
Member of Congress

Donald Norcross
Member of Congress

Brad Sherman
Member of Congress

John Garamendi
Member of Congress

Carolyn Maloney
Member of Congress

Brad Wenstrup
Member of Congress

Patrick McHenry
Member of Congress

Jim Costa
Member of Congress

Peter Welch
Member of Congress

Lois Frankel
Member of Congress

Bennie Thompson
Member of Congress

Anna G. Eshoo
Member of Congress

William R. Keating
Member of Congress

Ruben J. Kihuen
Member of Congress

Steve Knight
Member of Congress

Steve Stivers
Member of Congress

Billy Long
Member of Congress

Brett Guthrie
Member of Congress

Mark DeSaulnier
Member of Congress

Colleen Hanabusa
Member of Congress

Vern Buchanan
Member of Congress

Denny Heck
Member of Congress

Robert Aderholt
Member of Congress

Trey Hollingsworth
Member of Congress

Doug Collins
Member of Congress

Dina Titus
Member of Congress

Tom Emmer
Member of Congress

Steve Pearce
Member of Congress

Jim Banks
Member of Congress

Ralph Abraham, M.D.
Member of Congress

Luis V. Gutiérrez
Member of Congress

George Holding
Member of Congress

Dana Rohrabacher
Member of Congress

Kathy Castor
Member of Congress

Dennis A. Ross
Member of Congress

Tom MacArthur
Member of Congress

Jason Smith
Member of Congress

Frank Lucas
Member of Congress

Susan A. Davis
Member of Congress

Albio Sires
Member of Congress

Sean Duffy
Member of Congress

Ted Deutch
Member of Congress

Martha Roby
Member of Congress

Brian Mast
Member of Congress

Bradley S. Schneider
Member of Congress

Bobby L. Rush
Member of Congress

Josh Gottheimer
Member of Congress

Representative Charlie Crist (FL-13)
Question for the Record
Oversight of the Department of Housing and Urban Development
June 27, 2018

Mr. Secretary, as you highlighted in your recent testimony, on December 7, 2017 FHA made a unilateral decision to deny FHA mortgage insurance to mortgages carrying PACE improvements and, additionally, required that PACE assessments be paid in full when FHA mortgages are sold.

As you know, thirty-three states have enabled PACE programs, and residential PACE, the subject of the FHA action, is active in four states, including Florida. I am concerned that by barring FHA-backed mortgages from PACE, FHA is taking an important tool out of the hands of many of my constituents. Indeed, I believe this action could force some Florida homeowners to forego home improvements that could mitigate their homes against floods or hurricanes. For those who choose to make improvements anyway could pay higher interest rates, which would disproportionately harm borrowers at the lower end of the credit spectrum.

1. What conditions changed between August 24, 2015 when FHA issued a statement that FHA will make financing available for single family homes with existing subordinated PACE loans as longs as they meet certain conditions, and December 2017 when FHA undertook the unilateral action articulated in Mortgagee Letter 2017-18? Specifically, which conditions were unmet?

2. With whom did FHA consult before implementing the new PACE policy? Did FHA consult with stakeholder groups or Members of Congress?

3. What specific data has FHA relied on to conclude that PACE assessments constitute a threat to the MMIF?

4. What percentage of FHA mortgages carry a PACE assessment?

5. What is the delinquency rate on repayment of those assessments? What is the default rate?

RESPONSE: A decision to allow Federal Housing Administration (FHA) insurance on mortgages with a Property Assessed Clean Energy (PACE) assessment, including those with priority lien status over the FHA-insured mortgage in the event of default, was made during the previous Administration.

When reviewing this guidance, and after hearing from stakeholder groups and Members of Congress, the current Administration was concerned about the risk inherent in allowing any lien, including a PACE lien, to be in front of the FHA-insured mortgage. This practice is contrary to FHA's rules and standard mortgage industry practice, including those of Fannie Mae and Freddie Mac.

Unfortunately, FHA is currently unable to monitor the number of FHA-insured mortgages that may be subject to PACE assessments or to identify delinquency and default rates. This is due to the structure of the PACE financing and the borrower's ability to create a superior lien position after securing an FHA-insured mortgage. Because there is limited information about which FHA-insured mortgages have been primed by PACE assessments, the performance of these liens, and the wide variations in program requirements among states, it was and continues to be difficult for FHA to conduct basic risk assessments. As a result, FHA is evaluating additional steps to better assess and mitigate this risk.

Questions for the Record
Representative French Hill
to
The Honorable Ben Carson
Secretary
U.S. Department of Housing and Urban Development

The House and Senate Appropriators have followed up on last year's request to HUD to improve the disposition of Home Equity Conversion Mortgage Program (HECM) properties in HUD's portfolio.

Both House and Senate appropriators included in their respective FY 2019 THUD Committee Reports language directing HUD to improve its "back-end" property disposition processes:

House FY 19 Report Language

The Committee, however, continues to be concerned about foreclosures associated with the Home Equity Conversion Mortgage Program (HECM). The Committee directs HUD to distribute not less than $3,000,000 of funds provided for HECM default counseling services. Further, the Committee directs HUD to explore ways to track foreclosures resulting from technical defaults and provide the House and Senate Committees on Appropriation a proposal not later than 60 days after enactment of this Act.

Senate FY 19 Report Language

The Committee urges the Department to take appropriate actions to ensure transparency and improve the resolution of defaulted and foreclosed FHA Home Equity Conversion Mortgage loans which have been assigned to HUD in order to improve program performance and loss mitigation results for borrowers.

Question: Do you expect HUD to improve its loss mitigation efforts by applying its "cash for keys" program to all HECM loans and/or by allowing servicers to continue to service HECM loans after they are assigned to HUD?

RESPONSE: Under the leadership of Federal Housing Commissioner Brian Montgomery, who was only recently confirmed, Federal Housing Administration (FHA) has been conducting a comprehensive review of the Home Equity Conversion Mortgage Program (HECM) program. That review includes an assessment of the effectiveness of HECM servicing and strategies to mitigate losses. A number of opportunities for efficiencies are being evaluated, including the ones noted in your question. At present, a major focus of this effort is to address the adverse impact of appraisals that may exceed the true value of the property when HECM loans are originated. This "appraisal bias" may be a significant contributor to HECM losses. As FHA's review progresses, further steps to strengthen the financially challenged HECM program will be implemented.

House Committee on Financial Services: "Oversight of the Department of Housing and Urban Development"
June 27, 2018

Questions for the Record from Congressman Randy Hultgren (IL-14)

Witness: The Honorable Ben Carson, Secretary, U.S. Department of Housing and Urban Development

Question One
Over the last decade since the financial crisis, the Federal Housing Administration's (FHA) footprint in the housing finance system has expanded dramatically and not returned to historic norms. Instead, FHA lowered premiums in an effort to gain market share—reducing premiums in 2015 and contemplated another reduction that was halted by President Trump in 2016. You have repeatedly championed "right sizing" the FHA to balance prudently facilitating access to mortgage credit while limiting the federal government's, and therefore taxpayers', exposure to single-family mortgage credit risk.

1. As one way to better define the FHA's footprint, should we consider requiring borrowers to show that conventional mortgages with private mortgage insurance are unavailable to them before being able to obtain a mortgage insured by the FHA?

   RESPONSE: The Federal Housing Administration (FHA) agrees that its role is supplemental to the conventional market. That said, FHA generally serves different borrowers than Fannie Mae and Freddie Mac. HUD does not foresee requiring borrowers to verify the unavailability of conventional mortgage options as a prerequisite to obtaining an FHA-insured mortgage; that decision should be up to the homebuyer.

2. If not, what policy tools do you recommend to ensure that FHA's future role minimizes market distortion and preserves the financial condition of FHA? For example, given FHA's difficulty in reducing its footprint following the housing crisis, should we think about having FHA act as a reinsurer to provide countercyclical support rather than as a primary insurer – wouldn't that be a more flexible arrangement that promoted the use of private capital?

   RESPONSE: Federal Housing Administration (FHA) policies are designed to facilitate the availability of mortgage credit to qualified borrowers who may not be well served by other sources of mortgage credit, and to play a countercyclical role in the market during times of economic downturn. FHA is currently reviewing existing policies to ensure they are appropriately tailored to this mission.

   FHA's role as a primary insurer is fundamental to providing countercyclical liquidity to the housing market at times when private capital withdraws from the market during economic stress. Accordingly, if Congress continues to want an FHA that provides access and countercyclical support through market cycles, HUD would urge careful consideration of changes that alter its role as a primary insurer.

Question Two
The housing finance industry universally recognizes the dire state of FHA's IT infrastructure and the need for updates to improve the agency's operations. During the hearing, Chairman Hensarling mentioned the possible use of the GSEs' technology to modernize FHA's systems while the GSEs remain in

conservatorship. Has FHA considered less costly alternatives that leverage the private sector- such as the private mortgage insurance industry's infrastructure – to revamp the FHA's antiquated systems?

RESPONSE:
HUD has two special opportunities for IT modernization to impact FHA. First, through the Technology Modernization Fund, HUD will move underwriting capabilities, financial controls, funding disbursement, and debt verification to a more reliable, modern, and secure IT environment. These systems contain millions of pieces of personally identifiable information and control the disbursement of billions of dollars, but are currently running on an outdated Unisys mainframe. Migrating to a cloud virtual environment will tighten security and modernize the infrastructure while reducing the cost of licenses, operation and maintenance, and end user support.

Second, HUD is partnering with GSA's Centers of Excellence (CoE) initiative for a comprehensive assessment of HUD's business process reengineering, customer experience, data analytics, and IT implementation. This work will assess the existing environments while expediting FHA modernization with incremental product releases through an agile system development approach.

Despite the work of the TMF and CoE, the majority of FHA's applications are still in need of modernization. Passing a minimal technology fee as proposed in the 2019 President's Budget to loan applicants would enable HUD to replace existing obsolete applications and provide faster service to taxpayers.

Question Three
In 2013, HUD promulgated a regulation entitled "Implementation of the Fair Housing Act's Discriminatory Effects Standard," which applies a theory of legal liability under which a housing practice that is found to have a "disparate impact" on a protected class can be deemed to violate the Fair Housing Acting proscription on discrimination in housing practices even though the practice was not adopted for a discriminatory purpose. When it passed the McCarran-Fergus Act in 1945, Congress recognized that the states regulate insurance without interference from federal regulation unless Congress specifically displaces state law. The Fair Housing Act prohibits discrimination in the sale, rental and financing of dwellings, but does not specifically address state regulated insurance practices.

1. Do you believe the Department of Housing and Urban Development has the authority to implement, administer, enforce, or promote a rule that applies a discriminatory effect standard against providers of providers of property, hazard, or homeowners' insurance?

   RESPONSE: The Fair Housing Act has long been interpreted to apply to a range of housing-related activities, including mortgage lending, appraising, brokering, and other services associated with housing. The McCarran-Ferguson Act restricts applications of federal law that directly conflict with state insurance laws, frustrate a declared state policy, or interfere with a state's administrative regime. The Department has long recognized that the McCarran-Ferguson Act can be raised as a defense to a Fair Housing Act claim against an insurer. The Department is mindful of the particular concerns of the insurance industry and is presently in litigation with insurance industry trade groups concerning applicability of the McCarran-Ferguson Act.

   Furthermore, HUD issued an advance notice of proposed rulemaking on June 20, 2018 formally seeking the public's comment on whether its 2013 Disparate Impact Regulation is consistent with the 2015 U.S. Supreme Court ruling in *Texas Department of Housing and Community Affairs* *v. Inclusive Communities Project, Inc.* That comment period closed on August 20, 2018. HUD received over 1900 comments, which are currently under review. Accordingly, it is not appropriate for the Department to comment further while these matters are pending.

Questions for the Record
Full Committee Hearing 6/27/2018: "Oversight of the Department of Housing and Urban Development"
Congressman Dennis A. Ross

Question 1
Secretary Carson, as you may know, Congress is currently working on a long-term reauthorization of the National Flood Insurance Program that would make crucial reforms to place the NFIP on a fiscally sustainable path.

The purpose of the NFIP is to ensure that homeowners at risk of serious loss from flood damage have the coverage they need to be protected in times of disaster.

This insurance coverage also helps protect the American taxpayer, who, as we know, holds a significant amount of risk associated with natural disasters, and especially disasters that render homes uninhabitable, as floods often do.

That is why we have a mandatory purchase requirement for homeowners who have federally-backed mortgages in areas especially prone to severe flooding.

For many years, the NFIP was pretty much the only place a homebuyer could turn for a flood insurance policy that satisfied this mandate.

But, in recent years, the private sector has gathered the data and developed the innovative risk management tools required to offer this product, and, today, we have private businesses capable of offering policies with better coverage, and often times lower rates than the NFIP.

With the NFIP more than $20 billion in debt, even after this Congress forgave $16 billion just last fall, we should be jumping at the opportunity to offload some of the taxpayer held flood risk onto the private marketplace.

That's exactly what Congress set out to do in 2012 with passage of the Biggert-Waters Flood Insurance Reform Act. Regrettably, despite Congress' clear intent to foster a private flood insurance market, regulatory barriers continue to limit its development. That's what I'd like to discuss with you today.

Q: Secretary Carson, have you had an opportunity to review the flood insurance requirements for loans insured by the Federal Housing Administration (FHA)? And, are you aware that because of the FHA regulations and related guidance, many lenders are currently refusing to accept private flood insurance on FHA-insured loans?

RESPONSE: Yes, HUD is aware of the issue and have our Federal Housing Administration (FHA) staff evaluating our current policy related to flood insurance requirements for FHA-insured mortgages in flood zones. The viability of private flood insurance on FHA-insured mortgages is under consideration and currently being assessed.

Q: Would you agree that when there are suitable private sector alternatives to NFIP policies, we should do all we can to give homeowners the option to choose the insurance plan that best meets their needs?

RESPONSE: Yes, HUD is supportive of private sector alternatives that can reduce costs or provide additional options for borrowers, so long as these options do not pose additional risk to FHA and provide a substantially similar level of coverage to homeowners.

Q: Does HUD have any intention to revisit the FHA regulation regarding the mandatory flood insurance requirement to allow for the use of private flood insurance policies?

RESPONSE: Yes, see answer above.

Thank you. As you may know, Congress is also working on a permanent legislative solution to clarify that private flood insurance can satisfy the mandatory purchase requirement, embodied in my legislation the *Private Flood Insurance Market Development Act*, which has huge bipartisan support.
In my mind, the desperation of the NFIP's financial situation justifies a belt and suspenders approach to utilizing the private market. As we work on a permanent legislative fix to the remaining regulatory barriers, I would strongly encourage you and leadership at the FHA to explore the administrative reforms that are possible.

Question 2
Secretary Carson, I have been following your work to reform the method by which HUD calculates rents for families receiving housing assistance.

I agree that there are serious flaws in the income-based rent system that create disincentives to earning more, punish two-parent households, and perpetuate the cycle of poverty that afflicts so many families.

Q: Do you believe that rent reform necessitates rent increases? In other words, can we address some of the serious issues with the current model without significantly increasing rent costs for beneficiaries?

RESPONSE: HUD's proposal seeks to address two overarching problems in HUD's rental assistance programs. Specifically, the current process for determining family rental payments is cumbersome, confusing, and often results in errors. Second, HUD believes that current program costs are unsustainable over the long-term. Therefore, HUD's rent reform proposal includes both policy changes and increases in rents for families receiving assistance under several of HUD's assisted housing programs. The proposed policy changes are meant to simplify the rent determination process for both responsible entities and for families, and to make the process more transparent and predictable. These policies could be enacted without corresponding rent increases. However, HUD believes changes need to be made regarding rental payments by tenants to address the long-term costs of the programs.

Q: In your view, what would be the greatest benefits to the rent reforms you have proposed?

RESPONSE: HUD's proposed rent reforms make significant improvements to HUD's rent policies. The most significant benefits of the proposal are a simpler, more transparent rent structure and a system that better incentivizes self-sufficiency. Specifically, these changes include:

- Simplifying the annual income determination process by computing rents based on gross, rather than adjusted income, thus making rents more predictable, transparent, and reducing errors;
- Using triennial recertifications of income, rather than annual recertifications. This change would provide a temporary incentive to families to increase income without immediate increases in rents; and

- Choice rents would enable localities to better encourage self-sufficiency among work-able families in several ways, including by utilizing alternative rent structures modeled after the Moving to Work (MTW) demonstration.

Congressman Brad Sherman
Questions for the Record
Financial Services Housing and Insurance Hearing "Oversight of the Department of Housing and Urban Development"
June 27, 2018

Question for Ben Carson, Secretary, U.S. Department of Housing and Urban Development:

1. Secretary Carson, you indicated during oral questioning that the Department of Housing and Urban development would be releasing guidance related to which programs and practices related to down payment assistance are allowable under Federal Housing Administration rules. Could you provide a more definite timeline as to when HUD will be releasing this guidance?

   RESPONSE: The Department is conducting a comprehensive review of down payment assistance programs and practices occurring in the marketplace in relation to Federal Housing Administration (FHA) rules and guidance. FHA anticipates issuing revised guidance in the near future.

2. During questioning, you indicated that there were abuses within the Community Development Block Grant program. What specific instances were you referring to?

   RESPONSE: The Housing and Community Development Act of 1974 and implementing regulations assign grantees the responsibility to identify which eligible activities they choose to fund, and to maintain documentation demonstrating compliance with statutory and regulatory requirements. HUD has a well-developed risk-based monitoring framework for post-award CDBG oversight. When noncompliance is found, HUD implements corrective actions and sanctions.

   Additionally, HUD's Office of the Inspector General audits grantees according to established plans and investigates cases of suspected fraud. The OIG issues an audit report with recommendations to the CPD Director in the HUD Field Office for the grantee's geographic area. The field CPD Director then works with the grantee to address the OIG recommendations through a plan of action, or "management decision" which is submitted to the OIG for approval. Below are some recent examples of non-compliance issues that have cost-related implications identified by OIG audits and for which the OIG has approved management decisions to address the issues:

   - The City of Fresno, California, did not administer its CDBG program in accordance with HUD requirements. Through an approved management decision, the grantee was required to support the eligibility of $1,107,000 in after-school program costs, including meeting the limited clientele national objective, or repay the program from non-federal funds. (Aug. 9, 2017, Report # 2017-LA-1006)
   - The City of Albuquerque, New Mexico, did not administer its CDBG program in accordance with requirements. Through an approved management decision, the grantee was required to reimburse its CDBG line of credit for $572,929 in ineligible costs for its violation of federal requirements and procurement procedures when it acquired a property with CDBG funding. Reimbursement must be from non-federal funds. (Aug. 16, 2017, OIG Report # 2017-FW-1010)

- The Fort Bend County Community Development Department, Richmond, Texas, did not always comply with Office of Community Planning and Development program requirements. Through an approved management decision, the grantee was required to support the $240,010 in unsupported procurement payments or repay its CDBG program from non-federal funds. (Sept. 14 2017, OIG Report # 2017-FW-1013)
- The City of Moreno Valley, California, did not administer its code enforcement program in accordance with HUD requirements. Through an approved management decision, the grantee was required to support $797,222 in code enforcement costs, including meeting code enforcement and salary benefits requirements, or repay its program from non-federal funds. (April 27, 2018, OIG Report # 2018-LA-1004)

3. Is the Department of Housing and Urban Development conferring with Members of Congress of how Community Development Block Grant money is being spent? If HUD is not conferring with Members of Congress on where this money is being spent, why not?

RESPONSE: Congress established the CDBG formula funding process in the Housing and Community Development Act of 1974 (as amended). Following enactment of annual appropriations, HUD computes the annual formula funding allocations for eligible grantees, then notifies Congress of the annual CDBG formula allocations prior to announcing the amounts to the grantees. After state and local governmental grantees complete citizen participation and submit their plans for use of funds, HUD submits summary information to Congress as part of the required Congressional release process, prior to executing grant agreements with individual grantees. HUD also provides an extensive amount of data on its website that describes the use of CDBG funds by the more than 1,200 state and local government grantees across the country. For further reference, please see: https://www.hudexchange.info/programs/cdbg/cdbg-reports-program-data-and-income-limits/.

4. Secretary Carson, last time you were before this Committee I asked if you had been briefed by legal counsel with respect to your responsibilities as a Cabinet secretary under Section 4 of the 25th Amendment of the United States Constitution, and you said you hadn't. Have you spoken to legal counsel about your responsibilities under Section 4 of the 25th Amendment?

RESPONSE: The Secretary takes all his responsibilities under the Constitution seriously. He has spoken to counsel about his responsibilities. He meets with other members of the Cabinet regularly. At this time, he has no intention of convening any further consultations regarding the 25^{th} Amendment.

RM Waters
Questions for the Record
House Financial Services Committee Hearing
"Oversight of the Department of Housing and Urban Development"
June 27, 2018
10:00am – Rayburn 2128

HUD Budget

- HUD's proposed budget contradicts your statements during his confirmation hearings that "we need to be cognizant of our fiscal responsibilities as well as our social responsibilities. Safety net programs are important. I would never abolish one without having an alternative." According to the National Low Income Housing Coalition, more than 200,000 families would lose access to rental assistance as a result of your budget.

    - How can the administration ensure that President Trump's budget will not directly harm families receiving housing assistance, given the deep funding cuts to HUD's rental assistance program?

    - What will happen to those families who lose their assistance? What other affordable housing options are available to them? What happens if they cannot find suitable, affordable homes?

    - How will the administration prioritize which families receive assistance, and which ones will face the immediate risk of eviction and homelessness?

    RESPONSE: The requested funding level in the 2019 President's Budget is sufficient to continue assistance to all households served at the time of the budget proposal.

- The greatest need for affordable housing in concentrated among people with extremely low incomes. The National Low Income Housing Coalition has found that there are just 35 homes affordable and available to people with the lowest incomes. As a result, 71% pay more than half of their income on rent. Yet, President Trump's 2019 budget proposes to eliminate the national Housing Trust Fund, which is exclusively focused on developing, rehabilitating, and preserving affordable housing for families with extremely low incomes. Without resources like the Housing Trust Fund, the private market would not be able serve these families because the rent they can afford to pay is not enough to cover the cost of operating and maintaining the property, let alone any debt needed to build the property in the first place. It is simply not economical for private developers to build affordable rental housing for extremely low income families without federal assistance.

    - Why would the administration eliminate the Housing Trust Fund when it is the federal government's most targeted housing production program?

    RESPONSE: The Administration proposed eliminating Housing Trust Fund grants in favor of a greater role for state and local governments and the private sector in funding affordable housing needs. States that wish to provide affordable rental housing for extremely low-income residents will need to prioritize other funding sources for that purpose. The question of future funding for some form of Housing Trust Fund will be a consideration in the Administration's housing finance reform effort. For example, the Administration's government reform plan ("Delivering Government Solutions in the 21st Century") includes a proposal that sets forth a high-level blueprint for a reformed housing finance system. As part of this vision, the proposal supports a separate fee on the outstanding volume of mortgage backed securities by guarantors to be transferred to HUD, via congressional appropriations, for affordable housing purposes.

- If the Housing Trust Fund is eliminated, how can the federal government attract private capital to increase the supply of affordable rental housing for people with the lowest incomes?

  RESPONSE: The Administration's FY19 Budget requests $100 million for the Rental Assistance Demonstration (RAD), a program that leverages public and private funds to recapitalize, rehabilitate, and preserve public housing units. In addition, Federal Housing Administration's (FHA) multifamily mortgage insurance programs continue to play an important role in the supply of affordable rental housing in the United States. The recently enacted Tax Cuts and Jobs Act preserved the Low-Income Housing Tax Credit, retained the tax-exempt status of interest generated from private activity bonds, and created the Opportunity Zones initiative, the first new community development tax incentive to be established in many years.

- President Trump's 2019 budget devastates resources needed to operate and maintain public housing that provides homes to millions of families and represents billions of dollars in critical local assets. Each year, 10,000 public housing apartments are lost to disrepair and chronic underfunding. The President's budget would eliminate funding for capital repairs. It would also underfund public housing's operating budget, which would lead to fewer staff and resources to keep these properties in good shape.

  - What will happen to families living in public housing if their apartment is lost due to disrepair? What options are available to them for affordable housing?

    RESPONSE: Generally, public housing units that are in the worst physical condition are removed from the inventory through demolition and disposition under the authority of Section 18 of the 1937 Act. Section 18 requires the Public Housing Authority (PHA) to offer all displaced public housing families comparable affordable housing. These options may include Section 8 project-based assistance, Section 8 tenant-based assistance, or other housing at a comparable rental rate. If a PHA offers a family tenant-based assistance, the PHA cannot complete the Section 18 demolition/disposition action until that family is under lease at a new unit. Furthermore, Section 18 requires the PHA to provide necessary counseling for displaced families, and to pay for the reasonable moving and relocation expenses of each family.

  - What happens to the local and federal investment if this asset is lost?

    RESPONSE: The 2019 Budget improves upon existing tools to recapitalize and preserve public housing assets, and empowers Public Housing Authorities (PHAs) to make local decisions about how to best use the properties to meet the needs of their communities. Through tools like Voluntary Conversion and the Rental Assistance Demonstration, PHAs can convert public housing to the more sustainable Section 8 platform – and continue to receive federal investment.

In addition, in furtherance of the goals of the 2019 Budget, HUD also published guidance (See: PIH Notice 2018-04) to simplify and streamline the Section 18 Demolition and Disposition process, which allows PHAs to demolish or sell public housing properties that are generally obsolete, in disrepair, and no longer in the best interests of the residents and the PHA. When the Section 18 authorized sale or transfer of the property generates net proceeds, PHAs are required to use the funds for the provision of low-income housing to benefit their residents. PHAs typically use net proceeds to modernize/preserve other public housing units, to develop additional public housing or Section 8 project-based units, or to provide supportive services to their residents.

- **Rehabilitating or preserving assisted housing is significantly less expensive than building new affordable housing. According to numerous studies, rehabilitating an existing apartment costs one-third less than building a new apartment. In more expensive communities with high land costs, the cost of building new affordable housing could be as much as double the cost of preserving existing housing. Rehabilitation also creates jobs and stimulates private investment and economic growth. According to HUD's own statistics, privately owned properties with project-based Section 8 assistance generate $460 million in property taxes for local municipalities annually, directly support 55,000 jobs, and leverage over $17 billion in private financing and equity. In the context of rising development costs and private market rents, preserving affordable housing has become more urgent than ever. Given the benefits and cost-effectiveness of preservation, how do you justify the cuts in HUD's budget for this purpose?**

  RESPONSE: HUD is working to enable Public Housing Authorities (PHAs), localities and their partners to leverage private financing to both support rehabilitation and to create new development of existing public housing properties. Each asset is unique to its locality and it is up to a PHA to determine whether preservation or new construction is appropriate for an asset. Some assets require only rehabilitation, but some are obsolete, and it is more cost efficient to demolish and rebuild them. Over the past 25 years, PHAs have gained experience and expertise in working with private developers and leveraging outside sources of funds to preserve and restore housing for the low-income families they serve.

  The physical needs of the public housing portfolio greatly exceed and outstrip the funding levels that Congress currently or historically has provided. Bringing in private investment amplifies the federal resources that are available and is the most prudent and effective way to more efficiently meet the needs of low-income families. The key here is not the level of federal investment, which is highly unlikely to ever fully address the capital needs backlog, but rather facilitating tools that support HUD's overall mission in providing safe, decent, and affordable housing.

<u>HUD's Proposal to Raise Rents and Impose Work Requirements</u>

- **You claimed that your proposal's provision that would triple minimum rents would affect "relatively few Americans," but according to the Center on Budget and Policy Priorities, this** would impact 1.7 million people, including nearly 1 million children, putting them at risk of eviction, hardship, and homeless. Do you consider 1.7 million people to be "relatively few Americans"? In your opinion, who will not be impacted by this proposal? Please describe the impacts of these rent increases on children.

RESPONSE: The rent reform proposal proposes an increase in tenant contribution for all non-elderly, non-disabled families, either through a higher minimum rent of $150 or increase to 35 percent of gross income. Over 500,000 households currently pay a minimum rent and would see their rent contribution increase to the new minimum rent level. The proposal, however, is counterbalanced with a significant reduction in government interference in family lives. Under the proposal, families will have three years before their next recertification. During those three years they would no longer be required to report income increases to the Public Housing Authority (PHA). HUD's Office of Policy Development and Research is currently studying the impact of three-year recertification on families with a rent reform demonstration at four Moving to Work PHAs.

- Currently, federal law dictates the maximum amount of rent that HUD can charge low-income families in federally assisted housing. You have proposed that Congress give your office unlimited power to increase residents' rents without congressional oversight. Why should HUD be entitled to unilaterally make these decisions that affect millions of low-income residents nationwide?

RESPONSE: HUD cannot implement the policy changes set forth in the Administration's rent reform proposal without congressional action. HUD's legislative proposal is the beginning of a conversation with Congress and relevant stakeholders to set rental assistance on a fiscally sustainable path for future generations.

- The typical household affected by the minimum rent increase from your proposal would be a single mother of two, earning a median income of $2,400 a year ($200 a month). After paying $150 for rent, she would be left with just $50 to stretch for the month for diapers, toiletries, bus fare, and other necessities. Data shows that the first sacrifice families make when budgets are tight are to buy fewer groceries and to skip needed prescription drugs, which negatively impacts their health and well-being. How does your proposal support these families that are already struggling to get by? How can the administration expect a child succeed in school or expect a senior to live with dignity without these basic needs?

RESPONSE: The rent reform proposal includes provisions for hardship exemptions to address the types of issues raised in the question.

- Your proposal would eliminate current income deductions that low income families, seniors, and persons with disabilities rely on. This includes deductions for child care costs that help many working parents make ends meet, as well as deductions for medical expenses that low income seniors and persons with disabilities rely on. These deductions were recently retained and increased by Congress in the unanimously passed Housing Opportunities Through Modernization Act (HOTMA, H.R. 3700). You have been quoted in several publications stating that eliminating these deductions is your attempt to "level the playing field." In what way does this help level the playing field for working parents or low income seniors and persons with disabilities?

RESPONSE: The Administration's rent reform proposal is intended to simplify the program to an easy to understand, easy to measure, and easy to verify calculation of rent that is made just once every three years. This would substantially ease the administrative burden on Public Housing Authorities (PHAs), private owners and residents. Residents would also be able to increase their earned income without seeing an increase in their household rent for up to three years. In addition, the proposal contains provisions to ensure that elderly and disabled households are not adversely impacted by changes in the rent structure.

- A recent study found that the vast majority of households with federal rental assistance that can work, do work. Of the households that are neither elderly nor have a disability, 73 percent are already working, recently worked, or are likely subject to work requirements under another program. Of those residents who don't work, many are caring for a young child, senior, or person with a disability. How can those who aren't working because they are caring for a child go back to work if Congress eliminates the child care income deduction—as you have proposed—that working families rely on to be able to afford to go back to work?

RESPONSE: Child care assistance for low-income workers is already provided through other federal programs and elimination of this deduction will reduce redundancy. The Workforce Innovation and Opportunity Act (WIOA) helps individuals with diverse needs prepare for and connect to jobs. Through the American Job Center (AJC) system established under WIOA, and the partner programs and community services provided through AJCs, these individuals may access the supportive services they need to participate and advance in the workforce. In addition, the Tax Cuts and Jobs Act doubled the child tax credit, which would benefit low-income families with children.

- In 2016, Congress directed HUD to certify that current hardship protections for residents are being enforced and that HUD will continue to consider hardship requests from residents whose changed personal circumstances put them at risk of homelessness. HUD has still not complied with this 2016 congressional directive. What is the status of HUD's compliance with this directive? How can hardship exemptions protect vulnerable families against overly burdensome rent increases under your proposal when HUD hasn't been able to verify that these hardship exemptions are working effectively in the current environment? What is HUD doing to actively educate residents about, and enforce, these important hardship protections?

RESPONSE: The Department is sensitive to financial hardships that may arise for tenants assisted under its Section 8 and Public Housing programs and is committed to ensuring that hardship exemptions from minimum rents are administered in accordance with existing requirements.

HUD continues to collect information on the volumes of approved minimum rent hardship exemptions for tenants in the Public Housing, Housing Choice Voucher (HCV), and Project-Based Rental Assistance (PBRA) programs, as well as owner compliance with all program requirements. In 2017, Public Housing Authorities (PHAs) and PBRA owners granted minimum rent hardship exemption to a total of 21,620 families. (Moving to Work agencies are excluded from these counts because MTW agencies may establish alternative minimum rent requirements.)

Should HUD receive complaints about a PHA or property owner improperly administering program requirements, HUD has mechanisms in place to investigate and address such complaints. For example, in the PBRA program, HUD staff or Performance Based Contract Administrators (PBCA) contact the property owner to resolve tenant complaints and may initiate a limited-scope Management and Occupancy Review (MOR) to formally assess an owner's compliance with HUD policies. In addition, routine periodically scheduled MORs specifically monitor for compliance with minimum rent hardship exemption policies. After the MOR is complete, areas of noncompliance and corrective actions taken against the owner are documented.

As a complement to monitoring activities, HUD is preparing technical assistance outreach to owners to highlight minimum rent and hardship exemption requirements, and to tenants to enhance their understanding of current policies. The Department's implementation of pending legislative proposals to modify tenant rent policies, including raising the minimum rent, would incorporate intensified technical assistance on hardship exemptions.

HUD's formal response to the certification requirement in Section 102(b) of the Housing Opportunity Through Modernization Act of 2016 (HOTMA) is in the final phases of clearance.

- HUD reportedly is understaffed due to significant attrition of staff since you took office, and failure to fill vacancies. Considering these vacancies, can you credibly assure us that HUD is equipped to implement massive changes across nearly all of its programs, as you have proposed to do in your harmful legislative proposal?

  RESPONSE: As of September 21, 2018, HUD had 687 vacancies, which is equivalent to 9.2 percent of HUD's budgeted workforce.

  - At the beginning of FY18, Q3, 55 percent of HUD's vacancies were actively in the recruitment process.
  - At the close out of FY18, 74 percent of vacancies are actively in the recruitment process.
  - 33 percent of the vacancies have selections made and the selectees are going through the on-boarding process or have a future start date set.
  - HUD hosted a Veterans, Peace Corps, and Persons with Disabilities Hiring Fair on August 30, 2018 attended by more than 600 people. The Department received more than 600 electronic applications. To date, 13 selections have been made and are going through the on-boarding process. An additional five are being reviewed for tentative offers.

  The Secretary and Deputy Secretary have communicated to the principal staff and career leaders that hiring is a high priority to address staffing gaps and challenges, and to plan for a sustainable workforce. To help support these efforts, HUD has implemented multiple strategies:

  - Conduct process improvement initiatives regarding the hiring, planning, and recruitment process. Implementation of some of these efforts has already reduced the time it takes to hire employees.

- Monitor the status of hiring daily by merging data from multiple data sets into the Position Organizational Listing to identify bottlenecks, opportunities for improvement, and areas of success.
- Each program office within HUD is assigned a Human Resources Business Partner to assist hiring managers with organizational design, position management, special employment hiring authorities, and to facilitate the recruitment process through HUD's Shared Service Provider.
- Office of the Chief Human Capital Officer's (OCHCO) Human Capital Services staff and Office of the Chief Financial Officer (OCFO) staff meet monthly with the leadership of each program office to discuss hiring status as it relates to process, meeting mission requirements, and funding availability.
- Host and attend events to utilize Special Hiring Authorities (which are exempt from the competitive hiring process) to expedite hiring and fill positions with the best qualified candidates.

<u>Fair Housing</u>

- In a recent Senate hearing, you defended your decision to repeal an important effort to protect the rights of LGBTQ people who are homeless by stating, and I quote, "there are some women who said they were not comfortable with being in a shelter with somebody who had a very different anatomy." LGBTQ advocates have criticized your comments as being trans-phobic and perpetuating myths about LGBTQ individuals. Mr. Secretary, do you believe the rights of transgender individuals should be disregarded because some people are "uncomfortable"? If people are uncomfortable being in a shelter with other people of a different race or religion, are you saying that that would justify segregation?

  RESPONSE: Fairness and non-discrimination are important principles to Secretary Carson. The Secretary believes the rights of all Americans, including transgender individuals, should be considered when it comes to the administration of federal programs. Segregation and discrimination based on race or religion, which are protected classes under the Fair Housing Act, is never justified.

- You have made several concerning remarks about the LGBTQ community. You have been clear about your disapproval of gay marriage, and in your 2012 book, you stated your belief that the acceptance of gay marriage led to the fall of the Roman Empire. In December 2015, you stated "I do not appreciate using our military as a laboratory for social experimentation," in reference to the Department of Defense's sexual orientation policy. In July 2016, you compared transgender identity to someone who "wakes up in the morning and decides that he or she is Afghan after watching a movie or reading a book about Afghanistan." Given these comments, what do you have to say to the LGBTQ community about your commitment to upholding their rights under the Fair Housing Act?

  RESPONSE: Under Secretary Carson's leadership, the Department has strived to ensure everyone participating in HUD programs is treated fairly and that no one is discriminated against. This includes the LGBTQ community. Recently, Secretary Carson met with LGBTQ community leaders in Chicago to hear directly from them about their concerns and to stress that HUD remains a place where discrimination against anyone is not tolerated.

- HUD has recently taken a series of actions, such as, attempting to delay implementation of the Affirmatively Furthering Fair Housing rule and withdrawing the Assessment Tool, attempting to delay implementation of the Small Area FMR Rule, and considering changes in HUD's mission statement, that have been criticized as demonstrating that HUD is retreating from its fair housing mission. How do you respond to that criticism, and what specific assurances can you provide concerning HUD's commitment to fair housing going forward?

  RESPONSE: HUD remains deeply committed to its fair housing mission and the purposes of the Fair Housing Act. At the same time, HUD regulations must work in practice and not just theory. That is why the Department is working to reduce excessive regulatory burdens to make sure housing-related policies and practices treat all persons fairly. HUD will continue to aggressively enforce the law against housing discrimination, as well as ensure that HUD funding recipients affirmatively further fair housing.

  The Department's Office of Fair Housing and Equal Opportunity (FHEO), along with state and local partners funded by HUD, will continue working to root out housing discrimination in the nation's housing markets. Last year alone, HUD fielded nearly 8,200 fair housing complaints alleging housing discrimination. As an example of HUD's fair housing enforcement, on August 17, 2018 HUD filed a Secretary-initiated complaint against Facebook for violating the Fair Housing Act by allowing landlords and home sellers to use its advertising platform to engage in housing discrimination.

  HUD is also committed to ensuring that its funding recipients affirmatively further fair housing, a statutory obligation under the Fair Housing Act of 1968. Over the last three years, the Department found that the current Affirmatively Furthering Fair Housing (AFFH) regulation was not fulfilling its purpose to be an efficient means for guiding meaningful action by program participants. HUD determined that a new approach towards AFFH is required. HUD will work closely with local stakeholders, industry partners, and the public to ensure the Department enacts changes to the AFFH regulation that will lead to meaningful change across the nation.

  Finally, the Department works daily to ensure fair housing and civil rights requirements are adhered to in all HUD programs and activities. This includes closely reviewing housing siting decisions, conducting monitoring and compliance reviews of funding recipients, and ensuring Departmental programs achieve fair housing objectives. This work remains unchanged and will continue with the same dedication it deserves.

- What are HUD's specific plans regarding future implementation of the Affirmatively Furthering Fair Housing (AFFH) regulation?

  - What is the specific timeline for those planned actions?

    RESPONSE: On August 16, 2018, HUD published an Advance Notice of Proposed Rulemaking inviting the public's comment on amendments to the Department's Affirmatively Furthering Fair Housing (AFFH) regulations. HUD's goal in pursuing new rulemaking is to offer more helpful guidance to states and local communities to effectively promote fair housing choice through the use of their federal funds. HUD is specifically seeking public comment on changes that will: (1) minimize regulatory burden while more effectively aiding program participants to meet their statutory obligations, (2) create a process focused primarily on accomplishing positive results, rather than on analysis, (3) provide for greater local control and innovation, (4) seek to encourage actions that increase housing choice, including through greater housing supply, and (5) more efficiently utilize HUD resources.

In addition, HUD held several listening forums across the country to hear directly from interested stakeholders, including civil rights advocates, Public Housing Authorities (PHAs), and state and local planners. These listening sessions provided critical feedback on how HUD can most effectively affirmatively further fair housing as it pursues amendments to the existing AFFH regulation.

- While the Assessment of Fair Housing process is delayed, how will HUD ensure that grantees are using the Analysis of Impediments process to meaningfully analyze barriers to fair housing choice, and to develop concrete goals to address and overcome those barriers? How can you ensure this in light of the well- documented limitations of the Analysis of Impediments process?

  RESPONSE: While pursuing rulemaking on Affirmatively Furthering Fair Housing (AFFH), the Department is taking several steps to ensure that grantees effectively use the Analysis of Impediments (AI) process to ensure housing choice. HUD is improving its technical assistance, training curriculum, and guidance. HUD has already begun providing technical assistance to several jurisdictions and states that are completing an AI. HUD is also developing more fair housing guidance and training materials for public housing agencies. Finally, HUD field staff remain available to assist program participants completing AIs.

- HUD recently issued an Advance Notice of Proposed Rulemaking inviting comments about HUD's existing discriminatory effects regulation on disparate impact, which is the legal doctrine by which the vast majority of Fair Housing Act cases are brought under. This rule provides critical protections from discriminatory housing practices to racial and ethnic minorities, families with children, and persons experiencing disabilities, among others. Does HUD intend to weaken this regulation by increasing the burden of proof for plaintiffs?

  RESPONSE: HUD issued an Advance Notice of Proposed Rulemaking on June 20, 2018, formally seeking the public's comment on whether its 2013 Disparate Impact Regulation is consistent with the 2015 U.S. Supreme Court ruling in *Texas Department of Housing and Community Affairs v. Inclusive Communities Project, Inc.* That comment period closed on August 20, 2018. HUD received more than 1,900 comments, which are currently under review. Furthermore, the Department is presently in litigation concerning the rule with insurance industry trade groups. Accordingly, it is not appropriate for the Department to comment further while these matters are pending.

- Section 8 Housing Choice Vouchers are an important tool for families to move to low poverty neighborhoods and gain access to quality jobs and high-performing schools. Small Area Fair Market Rent rule is an important tool that allows families greater access to these neighborhoods. HUD was sued for delaying the Small Area Fair Market Rent rule, and has only recently begun to implement the rule after a federal court mandated that HUD move forward with the implementation. What is HUD doing to ensure effective implementation of the rule?

RESPONSE: HUD has taken the following significant steps to implement the Small Area Fair Market Rent (SAFMR) program after the Court issued its ruling in December 2017:

- Relevant HUD offices conducted a conference call with industry stakeholders (the Public Housing Authorities Directors Association, National Association of Housing and Redevelopment Officials, and the Council of Large Public Housing Authorities) on January 6, 2018 to explain what HUD is doing to move forward quickly with implementation and to answer questions.
- SAFMR implementation guidance was published on January 16, 2018 (PIH 2018-01), stating that Public Housing Authorities (PHAs) must implement SAFMRs as quickly as possible but no later than April 1, 2018.
- HUD undertook an aggressive Technical Assistance program to ensure the PHAs required to implement SAFMRs had the tools and information necessary to be successful. Technical Assistance focused on three categories of tasks:
    - Creation of Training Materials;
    - Delivering In Person Training – Training was conducted in five locations (Dallas, TX, Miami, FL, Chicago, IL, Newark, NJ, and Philadelphia, PA) between March 5 and March 15; and
    - On Call Technical Assistance – PHAs requiring additional assistance could request up to 8 hours of personalized Technical Assistance.
- In addition to the in-person training, HUD produced a webcast for those who could not make the in-person trainings, and as an on-going resource for those interested in SAFMRs.
- A SAFMR resource page is available on HUD's technical assistance website https://www.hudexchange.info/programs/public-housing/small-area-fair-market-rents/ to provide additional guidance and answer questions through Frequently Asked Questions. The HUD Exchange page went live on Monday, January 8, 2. The HUD Exchange page includes links to the web-based training overview, in-person training materials, including a SAFMR implementation guidebook, and case studies from two PHAs who previously transitioned to the use of SAFMRs

HUD continues to monitor implementation of the SAFMRs.

- Voucher families across the country are struggling to use their vouchers for a number of reasons, such as discrimination by private landlords based on the stigma of using a housing voucher. As a result, many housing authorities are not using all of their authorized vouchers. What are HUD's plans for helping local housing authorities combat discrimination and improve their utilization rates?

RESPONSE: The choice aspect of the Housing Choice Voucher (HCV) program does not work without landlords accepting vouchers. In response to two recently completed studies ("Pilot Study of Landlord Acceptance in the Housing Choice Voucher Program" and "Urban Landlords in the Housing Choice Voucher Program") that found that many landlords do not accept vouchers, and those who do are often frustrated about the program's administrative requirements, the Secretary established a Landlord Task Force to develop a strategy to increase landlord participation in the HCV program. The Task Force is planning listening sessions with landlords from across the country to hear what HUD can do to make the HCV program more appealing to landlords and help Public Housing Authorities (PHAs) improve their utilization rates. The Secretary announced the task force in a press release on August 20, 2018. https://www.hud.gov/press/press_releases_media_advisories/HUD_No_18_086

Lead Hazards

- Under the prior Administration, HUD adopted policy changes to align its blood level standards with those recommended by the CDC. However, concerns remain about whether HUD's inspections processes go far enough to ensure lead-free housing for families.

    - HUD has been engaged for a number of years in updating the physical inspection process for HUD-assisted rental housing. A number of stakeholders have advocated HUD take a more proactive approach to lead testing. Where does HUD stand on its update of the inspection process? Have any of the concerns about lead testing been addressed as part of this process?

      RESPONSE: HUD's Real Estate Assessment Center (REAC) has been working with over 200 volunteer Public Housing Authorities (PHAs) to pilot the Uniform Physical Condition Standards for Vouchers (UPCS-V) demonstration, which is designed to test implementation of an improved inspection standard for Housing Choice Voucher (HCV) units. (More information about this program is posted at www.hud.gov/program_offices/public_indian_housing/reac/isdv/upcs-v.) To date over 45,000 records for units selected by HCV families have been collected. Under this demonstration, Housing Quality Standards (HQS) Inspectors performed the visual assessment for deteriorated paint in pre-1978 units required under HUD's Lead Safe Housing Rule. The demonstration is targeted to be complete by the end of the summer of 2019. HUD will also prepare a proposed rule to update the HQS standards informed by the results of the demonstration. Once a final rule is published, there will be a voluntary grace period of approximately one year before the updated standards are required for all PHAs participating in the HCV program.

      In terms of the scope of the potential rule, HUD does not have the statutory authority in the HCV program to require lead testing beyond visual assessment for deteriorated paint in pre-1978 HCV units with a child under age 6. PHAs are required to perform dust testing when it is required by the state or local jurisdiction.

    - Last year's appropriations act and related committee reports included a number of directives to the Department on reducing lead hazards. What progress has HUD made on these directives?

      RESPONSE:
      - *DIRECTIVE:* Increasing HUD's oversight and quality assurance of physical inspections in public and multifamily housing to ensure Public Housing Authorities (PHAs) and property owners are complying with lead-based paint regulations.
          - *PROGRESS:* See above answer

- *DIRECTIVE:* Doubling the number of inspectors in the Office of Lead Hazard Control and Healthy Homes' (OLHCHH's) Enforcement Division.
  - *PROGRESS:* The OLHCHH doubled the number of inspectors in its Regulatory Programs and Support Division (the current name of its enforcement division). The Division now has 10 inspectors, 7 of whom are stationed at HUD regional or field offices, and 3, plus the Division Director, are stationed at HUD headquarters.
- *DIRECTIVE:* Requiring HUD to issue clarifying guidance to PHAs on current and prospective lead-based paint regulations to help ensure that HUD-assisted units meet HUD's lead-safe standards.
  - *PROGRESS:* HUD issued its Guidance on HUD's Lead Safe Housing Rule Pertaining to Elevated Blood Lead Levels for the Public Housing, Housing Choice Voucher (HCV), and Project-Based Voucher Programs, to the attention of PHAs, HCV owners and others, on August 10, 2017 (www.hud.gov/sites/documents/17-13PIHN_OHHLHC17-01.pdf).
- *DIRECTIVE:* Removing zero-bedroom dwellings from the exceptions set forth in several lead-based paint hazard prevention statutes.
  - *PROGRESS:* HUD removed this exception in the notice above and is drafting a notice and a regulation to remove it from additional programs.
- *DIRECTIVE:* Report to Congress on HUD oversight of the Lead Safe Housing Rule for the Public Housing and Housing Choice Voucher programs.
  - *PROGRESS:* On March 13, 2018, HUD submitted this report.

- **HUD's policy focus has historically been lead-based paint remediation, but the issue of lead-contaminated drinking water has risen in prominence following the problems in Flint, Michigan. Recently, HUD's Inspector General raised concerns that the FHA is not doing enough to ensure that properties with FHA-insured mortgages have access to safe, lead-free drinking water. What does HUD believe its role to be in ensuring that all HUD-assisted properties have safe water?**

  RESPONSE: For Single Family Housing eligibility for Federal Housing Administration (FHA) mortgage insurance, which is unrelated to HUD-assisted properties, HUD's Property Acceptability Criteria require that each living unit must have a continuing and sufficient supply of safe and potable water of appropriate quality for all household uses. The property must also be free of all known environmental and safety hazards and adverse conditions that may affect the health and safety of the occupants.

  The FHA-approved lender relies upon an FHA Roster appraiser with local geographic market knowledge and competency to determine compliance with HUD's Property Acceptability Criteria. Under FHA guidance, the appraiser is the on-site representative for the lender to determine if a property meets the minimum property requirements and related eligibility standards for an FHA-insured mortgage, and the appraiser must note when a property reveals a non-compliance with HUD's Property Acceptability Criteria that requires further testing or remediation. See HUD Handbook 4000.1, Single Family Housing Policy (www.hud.gov/program_offices/housing/sfh/handbook_4000-1), paragraph II.A.1.C(3); the same requirements were previously found in HUD Handbook 4150.2, Valuation Analysis for Single Family One- to Four-Unit Dwellings (www.hud.gov/program_offices/administration/hudclips/handbooks/hsgh/4150.2),

Appendix D: Valuation Protocol. The updated FHA Knowledge Base frequently asked questions (FAQs) (www.hud.gov/FHAFAQ) include policy clarifications related to areas serviced by public water systems with unacceptable levels of contaminants, including those contaminated by lead.

Further planned actions include additional policy updates to incorporate the related FAQs and other clarifying language into a future HUD Handbook 4000.1 update.

For assisted housing for which the Uniform Physical Condition Standards is the inspection standard, such as Public Housing, HUD requires that the building's domestic water system must be free of health and safety hazards, functionally adequate, operable, and in good repair (24 CFR 902.21(b)(3) and 24 CFR 5.703(c)).

For assisted housing for which the Housing Quality Standards (HQS) is the inspection standard, such as units in the Housing Choice Voucher (HCV) program, HUD requires that the water supply be free from contamination, and that the dwelling unit be served by an approvable public or private water supply that is sanitary and free from contamination (24 CFR 982.401(i)).

- Many low income families depend on housing assistance programs provided by HUD including Housing Voucher Program and the public assistance program. Recently, the GAO released a report detailing HUD's failure to protect children in subsidized housing against lead paint exposure. Specifically, the reports show that HUD failed to communicate or did not keep track of lead paint exposures, rather it defaulted cases to local offices many of which did not have specific policies for handling these cases. Going forward, how does HUD plan to address the problem of lead paint in public housing?

  RESPONSE: Twenty grants totaling $18.4 million under the FY 2017 Lead-Based Paint Capital Fund Notice of Funding Availability were awarded to Public Housing Authorities (PHAs) in early September 2018. The remaining $6.6 million in funding will be offered under a second-round competitive notice to be posted in early December 2018. These funds will help PHAs evaluate and reduce lead-based paint hazards in public housing by carrying out risk assessments, abatements, and interim controls.

  HUD submitted a response to the final Government Accountability Office (GAO) report on August 21, 2018 and is awaiting formal feedback on the proposed plans. The response included specific plans to address all of GAO's recommendations, including improving oversight of the Lead Safe Housing Rule in public housing. HUD's Office of Public and Indian Housing (PIH) and the Office of Lead Hazard Control and Healthy Homes (OLHCHH) will collaborate to develop and document procedures to ensure HUD staff take consistent and timely steps to address issues of PHA noncompliance with the lead paint regulations. Additionally, the offices will collaborate to develop guidance to better compel compliance and escalate cases when violations are identified.

  - How does HUD plan to keep its local offices accountable and ensure that the instances of lead exposure are properly dealt with?

RESPONSE: Public and Indian Housing's Office of Field Operations (OFO) monitors activities of the field offices with a team of subject matter experts that report to a senior manager within OFO in headquarters. This team monitors field submissions to central tracking tools. When gaps in Lead Safe Housing Rule (LSHR) compliance, including response to elevated blood levels (EBLs), are identified a PIH OFO team member follows up directly with the field office. OLHCHH's lead programs enforcement team supplements the PIH effort with its own LSHR monitoring and oversight, and coordinates its findings with PIH OFO and the field offices to ensure that the rule's requirements are met.

- Does HUD have any plans going forward on how they will care for the children currently affected by lead in public housing?

  RESPONSE: Public and Indian Housing's (PIH) efforts to help care for children affected by lead has been focused on ensuring that the Public Housing Authorities (PHAs) are working effectively with their local health departments, exchanging address data, and responding promptly when a child with an elevated blood lead level is identified.

  To facilitate this, PIH regularly trains its field staff on the requirements of HUD's Lead Safe Housing Rule. PIH has collaborated with the OLHCHH to develop training materials covering the review of required lead-based paint documentation and responding to cases of EBLLs in children residing in PIH-assisted housing. Furthermore, PIH has provided reference materials documenting internal processes for tracking and responding to EBLL cases to ensure consistency and thoroughness in responses. PIH monitors reported EBLL cases and provides assistance to field office staff on a case-by-case basis to answer questions and build capacity. The reference materials were published by PIH and OLHCHH in "Guidance on HUD's Lead Safe Housing Rule Pertaining to Elevated Blood Lead Levels for the Public Housing, Housing Choice Voucher, and Project-Based Voucher Programs" (www.hud.gov/sites/documents/17-13PIHN_OHHLHC17-01.pdf). The reference materials were published by PIH and OLHCHH in "Guidance on HUD's Lead Safe Housing Rule Pertaining to Elevated Blood Lead Levels for the Public Housing, Housing Choice Voucher, and Project-Based Voucher Programs" (www.hud.gov/sites/documents/17-13PIHN_OHHLHC17-01.pdf). HUD has also posted various technical assistance resources and best practices for PHAs on a dedicated page link.[1] These resources include fact sheets like the "Working With Your Local Public Health Department," which provides information for PHA staff on EBL case preparation and response. PIH is also developing webinars for PHAs and private assisted-housing owners and managers on the updated Lead Safe Housing Rule, specifically on how to respond to children with elevated blood-lead levels residing in Public Housing and Housing Choice Voucher units. These webinars will also be posted on the resources site, and available on the HUD Exchange at www.hudexchange.info.

Disaster Housing Recovery

- Some of the largest HUD fair housing settlements have come after major disasters, as states receiving HUD disaster recovery grants failed to use the funds to serve affected families equally.

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[1] www.hud.gov/program_offices/public_indian_housing/leadbasedpaint

In 2005, after Hurricanes Katrina, Rita, and Wilma, instead of giving homeowners the cost to repair their homes, the State of Louisiana gave them compensation for economic loss – the difference between their property value before and after the storm, which meant owners of properties in white neighborhoods received more assistance than in black neighborhoods, even when the actual cost to repair was the same. After Hurricane Sandy in 2012, New Jersey's initial housing recovery programs didn't include renters and residents of mobile homes, and application materials weren't made available to all affected residents with limited English proficiency, which resulted in a $240 million settlement, which is one of the largest in HUD's history.

- Now that Congress has appropriated an initial amount of $7.4 billion in CDBG-DR funds, how will you ensure that grantees don't repeat the mistakes that led to these civil rights disasters?

  RESPONSE: Since Hurricane Sandy, HUD has developed and deployed a number of training tools and other resources in order to provide Community Development Block Grant-Disaster Relief (CDBG-DR) grantees with a more complete and up-front understanding of the requirement to allocate funds in proportion to the unmet needs of the full range of populations impacted by a disaster. Among these resources, for example, is guidance from the Department of Justice on effectively reaching disaster-impacted populations with limited English proficiency. A sample of these tools and resources can be viewed at: https://www.hudexchange.info/programs/cdbg-dr/resources/#equity-in-disaster-planning-and-recovery.

  Over the past several years, HUD has also implemented a pre-grant agreement review of each grantee's capacity to administer CDBG-DR grant funds. This capacity review requires grantees and HUD to give specific attention to the resources that the grantee has in place or will establish to ensure compliance with fair housing and Section 3 requirements (e.g., see HUD's February 9, 2018 Federal Register Notice at 83 FR 5848).

  HUD also works closely with FEMA and other federal agencies, including the Department of Justice, to coordinate the interagency recovery effort. The federal interagency community meets regularly, through the Recovery Support Function Leadership Group (RSFLG, hosted by FEMA), and stands ready to support recovery in all disaster-impacted states and territories.

- After past disasters, HUD has allowed states to divert resources away from people with the greatest needs – including low income renters and people experiencing homelessness – to relatively higher income homeowners. In a 2010 report, GAO recommended that HUD provide more direction to states. The report found that "without specific direction on how to better target disaster-related CDBG funds for the redevelopment of homeowner and rental units after future disasters, states' allocations of assistance to homeowners and renters may again result in significant differences in the level of assistance provided."

  - What steps is HUD taking to address the concerns raised by the GAO that CDBG-DR funds are often diverted away from where they are needed?

- What safeguards are in place to ensure that CDBG-DR funds are allocated fairly and adequately to meet the needs of low income renters, as well as homeowners?

- What performance measures or metrics are used, if any?

  RESPONSE: Since 2011, HUD has been requiring Community Development Block Grant-Disaster Relief (CDBG-DR) grantees to expend at least 80 percent of their funds in areas that HUD determines to be most impacted and distressed based on an analysis of the FEMA and SBA data that HUD uses to inform its allocation process. Furthermore, beginning with CDBG-DR funds for 2016 flooding disasters and continuing in notices governing 2017 disasters, HUD has directed states and other grantees to primarily consider and address unmet housing needs, and if allocating funds to economic development or infrastructure activities, to indicate how those investments address unmet housing needs (e.g., see HUD's November 21, 2016 Federal Register Notice at 81 FR 83254). In its requirements for funding of recovery from 2017 disasters, HUD has required grantees to address how funds will be used to address affordable rental and public housing needs and has specified the period of affordability that is required when using CDBG-DR funds (83 FR 5862). All action plans must also include a description of how grantees' programs will promote housing for vulnerable populations, including the homeless, elderly, and persons with disabilities (83 FR 5849).

  In its appropriation of CDBG-DR funds for 2017 disasters, Congress provided HUD with $10 million of administrative funding that allows the Department to increase its monitoring and oversight of grantee compliance with these and other requirements. In this same appropriation, Congress provided HUD with $15 million of funding for enhanced technical assistance to grantees that will allow HUD help grantees increase their capacity to address this particular housing need, along with the full range of recovery needs.

  Grantees are required to report quarterly to HUD on their use of CDBG-DR funds and to post those reports on their public web site. These reports include the performance standards and metrics prescribed by HUD for each funded activity. Grantee projected and actual performance using these measures can be viewed through HUD's DRGR Public Data Portal at: https://drgr.hud.gov/public/index.html.

  HUD has also worked closely with FEMA and other federal agencies in all of the affected states and territories to coordinate our recovery effort. HUD's close partnership with FEMA is critical to ensuring the coordination of benefits for survivors.

- There is a severe shortage of affordable rental housing for people with the lowest incomes – in every city and state in the U.S. Nationally, there are just 35 affordable and available rental homes for every 100 extremely low income households. As a result, 73% of extremely low income families pay more than half of the limited incomes on rent, leaving few resources for other basic needs, including food, healthcare, childcare, and transportation. This national crisis is made worse after disasters, when many affordable rental homes are damaged or destroyed and never rebuilt.

- What measures are in place to ensure that all damaged federally subsidized rental housing is replaced on a one-for-one basis?

- What happens to the people who were living in federally subsidized affordable housing that is destroyed and not rebuilt? Where do they live? Are they able to find affordable places to live? Are they at a higher risk of homelessness?

RESPONSE: All Public Housing Authorities (PHAs) are required to carry insurance to cover damage to public housing. Insurance is therefore the first recourse to secure the necessary funding to repair damage to public housing (including the replacement of units that are a total loss). Insurance coverage varies and generally does not cover the entire cost of the loss both due to deductible levels and limitations in the scope of coverage.

For events that rise to the level of a major disaster declaration under the Stafford Act (42 U.S.C. §§ 5121 *et seq.)*, PHAs are eligible to apply for FEMA public assistance in the same manner as other State, Territorial, Tribal, and Local (STTL) governments can. Under the Stafford Act and FEMA regulations, FEMA may cover a substantial portion of the difference between the amount covered by insurance, assistance available from STTLs and other federal agencies and the total amount necessary to restore the property (generally 75 percent).

As described in recent Federal Register Notices, HUD also requires CDBG-DR grantees to work closely with PHAs to ensure that adequate resources are available to address the rehabilitation, mitigation and/or replacement needs of each disaster-impacted PHA (83 FR 5862).

For non-presidentially declared disasters, each year Congress sets aside a reserve from the Public Housing Capital Fund appropriation. For FY18, the Reserve was $16.5 million. An emergency is defined as physical work items that if not done pose an immediate threat to the health or safety of residents, and which must be completed within one year of funding. Funding for repairs or replacement of units for natural disasters is limited to incidents that are not eligible for public assistance from FEMA under a major disaster declaration under the Stafford Act. Grants are funded on a first-come, first-served basis until funds are exhausted. To the extent funds remain, any replacement of units would be on a one for one basis as long as funds remain in the reserve. PHAs are required by the Annual Contributions Contract (ACC) to have insurance on all of their Public Housing units. To the extent the PHA has damage from a non-presidentially natural disaster, it must first file insurance claims. To the extent the PHA insurance does not cover the loss, the PHA can apply for funding from the reserve.

Public Housing Authorities (PHAs) have a number of other options for housing families displaced from units by disasters. One option is to move the family to another vacant unit in the PHA's inventory. Another option is to issue the family a Housing Choice Voucher (HCV). Additionally, based on local conditions, FEMA can request the Department's support to implement disaster housing assistance programs (DHAP). However, not all of the applicants would necessarily be eligible for DHAP. FEMA has developed a type of assistance called Direct Lease which allows FEMA to enter into lease agreements with landlords to use their units as temporary housing for eligible applicants for federal disaster assistance. Direct Lease can be implemented more quickly than DHAP without the administrative cost burden or requirement for DHS Secretary-level approval. The Department believes that all families displaced because of damage to public housing should continue to be assisted pursuant to one of the options outlined above.

FHA

- **You have stated that housing finance reform is a personal interest for you. Do you agree that broad access to affordable mortgage financing should be a goal of housing finance reform? If so, in your opinion, what are the necessary components of the current housing finance system that must be retained in order to ensure broad access to affordable mortgage financing? Do you have any other affirmative proposals to ensure affordability and access through housing finance reform?**

  RESPONSE: There are a number of elements to any future housing finance system that would be central to preserving access to affordable mortgage financing. Among those would be a strong mission-focused Federal Housing Administration (FHA) to provide credit to low- and moderate-income and first-time homebuyers not well served by private sources of mortgage credit. Of note, nearly one-third of FHA's borrowers are minorities. In addition, an on-budget and paid for U.S. full faith and credit guarantee of mortgage-backed securities provides global liquidity to our markets to support an affordable 30 year fixed rate mortgage. Competition in the secondary mortgage market would also support affordable mortgage access, by leveraging the profit motive and innovation to help find additional solutions to affordable financing needs. Finally, many proposals include the concept of a modest fee to be charged on conventional mortgages directed by Congress to help meet our nation's most pressing housing needs. These all are core components of OMB's government-wide reorganization proposal titled "Reform Federal Role in Mortgage Finance."

- **The FHA plays a countercyclical role in the housing market, expanding in times of market stress, and contracting in times of market stability. Accordingly, the most recent annual report shows that the FHA's market share has diminished substantially since its peak during the housing crisis, and has stabilized in the past few years. Nevertheless, some continue to claim that the FHA is playing an outsized role in the housing market. Do you agree? Why or why not?**

  RESPONSE: Under Secretary Carson's leadership, HUD has consistently stated there are no specific market share goals at the Federal Housing Administration (FHA). Rather, HUD's goal is to have a mission-focused FHA that enables sustainable and responsible loans that help borrowers achieve homeownership and build equity and wealth. In addition, HUD is committed to running FHA in a fiscally prudent manner, mindful that FHA insures 100 percent of the loan balance and that ultimately taxpayers back the Mutual Mortgage Insurance Fund (MMIF). An important consideration in the Department's decision making is ensuring FHA exceeds the statutory two percent capital ratio requirement.

- **Although the annual actuarial report on the financial status of FHA's Mutual Mortgage Insurance Fund is not due out until next month, can you provide your current assessment of FHA's financial position?**

RESPONSE: The Federal Housing Administration's (FHA) financial health is of paramount importance to HUD. The Department has taken numerous steps to ensure the Mutual Mortgage Insurance Fund (MMIF) remains above the congressionally mandated 2 percent. These have included canceling the prior Administration's announced reduction in mortgage insurance premiums, changes to the Home Equity Conversion Mortgage (HECM) program, and rescinding FHA's prior guidance on Property Assessed Clean Energy (PACE) loans. HUD continues to closely monitor risk to FHA as well as negative trends in the mortgage market that could negatively impact the MMIF. The upcoming actuarial report will provide a full and accurate picture of FHA's current fiscal health.

- You have stated that you will be an active participant in discussions around housing finance reform. What discussions have taken place so far among federal agencies? What are the goals and vision you are bringing to the table in terms of the future of the FHA? Are there specific changes to FHA programs that you would like to see considered in any housing finance reform legislation?

  RESPONSE: A strong Federal Housing Administration (FHA) can serve a critical role in meeting the affordable financing needs of low and moderate income, minority, and first-time homebuyers who are not well served by private sources of mortgage financing. For this reason, the modernization of FHA's risk management and technology platform has been a central component of HUD's vision for the future of FHA. The Department would be delighted to work with you on how FHA can be strengthened to meet the needs of current and future homebuyers. With regard to broader housing finance reform, HUD has been engaged in interagency discussions and believes it is important for broader reform to take a holistic view of the market to avoid unintended and adverse consequences.

- Is your vision for the FHA compatible with Chairman Hensarling's PATH Act, which would drastically shrink the FHA's footprint?

  RESPONSE: The Department does not have views on legislation that was considered by the Financial Services Committee in 2011.

- For the past several years, HUD has been selling some distressed mortgages to outside investors through the Distressed Asset Stabilization Program (DASP). Consumer advocates have raised a number of concerns about DASP, including concerns that borrowers are not notified before their loans are sold, concerns that borrowers are not actually achieving better outcomes through this program, and concerns that non-profits are disadvantaged in bidding for these sales.

  - What is your vision for DASP going forward?

    RESPONSE: The Federal Housing Administration (FHA) has several tools to address asset disposition, including single family note sales. FHA is currently assessing a range of loss mitigation and disposition strategies that will optimize borrower loss mitigation wherever practicable and allow for maximized recovery on asset disposition when home retention efforts fail.

Since 2012, FHA has sold more than 100,000 non-performing single family mortgages through its single family note sales. Nonprofit groups have qualified for, bid on, and successfully won in the competitive auctions, including two nonprofit groups that were the winning bidders on two different pools in the most recent single family note sale on September 14, 2016.

- Do you anticipate any changes to it in response to these concerns?

  RESPONSE: Should HUD pursue another single family note sale, HUD will continue to work with servicers of Federal Housing Administration (FHA) insured mortgages to ensure that they are following FHA's servicing guidelines and correctly identifying eligible severely delinquent mortgages to be included in any sale.

- How do you plan to ensure that DASP does not negatively impact the borrowers whose loans are sold or communities where the homes securing those loans are located?

  RESPONSE: Should HUD pursue another single family note sale, it will continue to identify program enhancements and work with Federal Housing Administration (FHA) servicers to ensure they are identifying appropriate loan sale populations. FHA has several tools to address asset disposition, including single family note sales. FHA is currently assessing a range of loss mitigation and disposition strategies that will optimize borrower loss mitigation wherever practicable and allow for maximized recovery on asset disposition.

- The OIG has also specifically identified that at least two of these surveyed loans were improperly sold through DASP. Will you investigate what happened to these two homeowners once their loans were sold through the DASP program, determine whether they were offered appropriate loss mitigation and compensate them for any improper losses that they may have suffered as a result? What steps will HUD take to determine whether the loans of other FHA borrowers were improperly sold through DASP and compensate those borrowers for any improper losses they experienced?

  RESPONSE: HUD is working to implement the recommendations made by the Office of the Inspector General in its Single Family Loan Sales (SFLS) and Distressed Asset Stabilization Program (DASP) Audit Reports dated July 14, 2017 (2017-KC-0006) and September 29, 2017 (2017-KC-0010), respectively.

  The objective of the July 14, 2017 audit report was to determine whether HUD conducted rulemaking for its note sales program, and found that HUD did not conduct rulemaking or develop formal procedures for its SFLS program. The objective of the September 29, 2017 audit was to determine whether HUD ensured that purchasers complied with their purchase agreements. As the audit report notes, "HUD generally ensured that purchasers followed the requirements outlined in the conveyance, assumption, and assignment contracts. However, the requirements in the purchase agreements need improvement."

  FHA is currently addressing the findings in both audit reports.

- The HUD Office of Inspector General issued a report in which it identified that nearly 15,000 homeowners with FHA loans were not provided with their rightful loss mitigation options.
    - What has HUD done to identify and ensure that these nearly 15,000 homeowners are made whole?
    - What will HUD do to identify further victims of this problem and make them whole?
    - What steps is HUD taking to ensure that no other FHA borrowers are denied appropriate loss mitigation options?
    - There are concerns about the impact that this practice has had on borrowers of color. Will you commit to analyzing the demographic makeup of borrowers who have been denied loss mitigation options to evaluate whether there has been any violation of the Fair Housing Act, and if so, take appropriate enforcement action?

    RESPONSE: The Office of the Inspector General (OIG) audit referenced identified 15,000 loss mitigation loans where all the required documentation was not provided based on a statistical sample of 90 loans. In that sample, 26 of these 90 loans were determined to have significant servicing deficiencies. In response to this audit finding, the Office of Single Family Housing has agreed to review its current loan selection model for monitoring reviews of servicers. In addition, the Office of Single Family Housing will update its policies to select a larger sample of loans where no loss mitigation action was reported in FHA's Single Family Default Monitoring System (SFDMS) prior to submission of a claim.

    Federal Housing Administration (FHA) will request, as necessary, that the servicers with significant and other deficiencies provide a detailed corrective action plan and a copy of their internal policies and procedures addressing FHA requirements and guidance on loss mitigation evaluation. FHA will incorporate updated language into the Single Family Handbook 4000.1 reinforcing the requirement to engage delinquent FHA borrowers in loss mitigation. In addition, the Office of Single Family Housing will incorporate updated language into the Single Family Handbook 4000.1 reinforcing the requirement for lenders to engage delinquent FHA borrowers in loss mitigation. FHA's Office of Single Family Housing is committed to addressing any findings of reasonable cause under the Fair Housing Act arising from this matter.

- According to a recent paper from Enterprise and the USC Price Bedrosian Center, small and medium multifamily buildings (those with two to forty-nine units) are often more affordable and serve more lower-income households than one-unit homes or larger multifamily buildings. However, these types of buildings have accounted for a smaller share of housing construction in recent decades, and the existing stock is aging or disappearing. Earlier this year, HUD indefinitely deferred a planned Small Building Risk Sharing Initiative that was intended to increase access to capital for the preservation or rehabilitation of small multifamily buildings. The notice that announced the deferral stated that "it is not clear whether the program is still needed under current economic conditions," and that the availability of financing for these types of properties has increased recently, such as through programs offered by the government-sponsored enterprises Fannie Mae and Freddie Mac.

- Some in the industry disagree and continue to believe that this Initiative could help fill gaps in availability of financing despite new initiatives from Fannie and Freddie. Can you expand on the rationale for deferring implementation of this program?

  RESPONSE: Beginning in 2014, support for small building finance increased substantially. The Federal Housing Finance Agency set new affordable housing goals for GSEs requiring an increase in financing for small properties. Since 2014, GSEs have provided over $30 million in financing for small properties. Existing FHA products are currently serving the intended project profile with approximately 6.62 percent of volume to loans below $5 million.

  Given the reduced need for the program in the market and operational considerations, particularly staffing up for counterparty risk management, HUD staff recommended rescission of the SBRS Final Notice.

- Given that there is clear evidence that we do not have enough affordable housing to meet the need in this country, should HUD do more to support the preservation or development of small and medium multifamily buildings? If so, what kind of steps could it take to do this if you don't see the Small Building Risk Sharing Initiative as part of the solution?

  RESPONSE: HUD is addressing the need for affordable housing by working to expand the Low-Income Housing Tax Credits (LIHTC) Pilot program and continuing HUD's long-standing partnerships with state and local Housing Finance Agencies under the Risk Sharing program.

- In its most recent budget request, HUD indicated that it will be terminating the FHA's partnership with the Federal Financing Bank, which provides State and local Housing Finance Agencies (HFAs) with low cost financing for affordable housing development and preservation. HUD failed to provide any justification for this decision. Since the inception of the partnership in 2014 under the Obama Administration, this partnership has produced over 21,000 units in affordable housing developments. Further, the partnership saves HUD money, providing projected offsetting receipts of $68.8 million in FY 2018 alone. Please explain why HUD is terminating this critical tool for affordable housing development and preservation in the context of the current rental housing crisis.

  RESPONSE: On September 28, 2018, the Federal Housing Administration (FHA) announced it will be extending its Multifamily risk-sharing initiative with the Federal Financing Bank (FFB) for eligible Housing Finance Agencies (HFAs) through December 31, 2018. The initiative was originally scheduled to cease accepting new applications for commitments from HFAs on September 30, 2018 but will now accept new applications for commitments under this initiative through the end of the year, up to the current program maximum of $3 billion.

  FHA intends to review the program's effectiveness, and whether market conditions justify its continued operation. The results of this review will determine whether and in what form FHA would continue the program beyond December 31, 2018. If the program is extended for a limited time period beyond 2018, HUD would identify the parameters under which it would be phased out.

- Currently, it is mandatory for servicers to consider a waterfall of loss mitigation options for FHA borrowers who default on their loans. But this is only for borrowers with forward mortgages. For seniors with Home Equity Conversion Mortgages (HECMs), loss mitigation is only at the discretion of the servicer. What is HUD's justification for requiring loss mitigation for forward mortgages and not doing the same for reverse mortgages?

  RESPONSE: Federal Housing Administration's (FHA) forward and reverse mortgage products have different characteristics that justify the different loss mitigation policies. Unlike forward mortgages, Home Equity Conversion Mortgages (HECM) borrowers do not make monthly mortgage payments. As such, a home retention option is only necessary if a borrower defaults on their HECM loan due to missed property tax or hazard insurance payments.

  For HECM borrowers who fall into this category, HUD has authorized mortgagees servicing reverse mortgage loans to offer borrowers a repayment plan of up to 60 months. HUD cannot require that mortgagees offer this home retention option to HECM borrowers because HUD's current HECM regulations do not include a loss mitigation program and mortgagees' existing FHA contracts of insurance are aligned with HUD's regulations.

  Lastly, it is important to clarify the following points. First, unlike a forward mortgage, a reverse mortgage increases in risk the longer it is outstanding. Consequently, the risk and exposure to the Mutual Mortgage Insurance Funds (MMIF) increases rather than decreases the longer a reverse mortgage exists. Second, the overwhelming majority of defaults in the HECM space are related to the death of the last eligible borrower on the reverse mortgage. When the HECM program's design is taken into consideration, default due to the death of the borrower is the natural progression of this loan product because it means the borrower was able to leverage his/her home equity to age in place.

- Advocates continue to have concerns that seniors with HECM loans are needlessly ending up in foreclosure. What more should HUD do to help seniors avoid foreclosure?

  RESPONSE: As noted above, the majority of foreclosures in the Home Equity Conversion Mortgages (HECM) program are a result of the death of all borrowers and non-borrowing spouses. By design, foreclosure on the property at death is a natural consequence of a borrower having leveraged equity in the home allowing him or her to age in place.

  To prevent HECM foreclosures due to the inability of a borrower to pay taxes and insurance on their property, significant changes were made to the HECM program in 2014. These changes included a financial assessment to ensure that HECM borrowers can support property expenses over the life of the loan, and a Life Expectancy Set Aside (LESA), which requires some borrowers, based on the results of their financial assessment, to set aside a portion of their available equity for the on-going payment of property charges. These changes have had a positive impact in helping HECM borrowers avoid foreclosure.

  - I've introduced the "Preventing Foreclosures on Seniors Act of 2017" to address some of these concerns. What is the Department's perspective on this important legislation?

RESPONSE: The Department continues to carefully review the Preventing Foreclosures on Seniors Act of 2017 (H.R. 4160) and has engaged with House Financial Services Committee staff, but does not have a formal position on this bill.

Other

- HUD reportedly is understaffed due to significant attrition of staff since you took office, and failure to fill vacancies. How many, and what percentage of HUD staff positions are currently vacant? What are you doing to fill these important positions?

  RESPONSE: See response on page 6.

- The President recently released a proposal to reorganize the federal government by deliberately targeting agencies that administer our country's social safety net, including HUD. In the proposal, the USDA's rural housing programs would be moved to HUD. How will you manage these additional responsibilities and enforce inclusivity and fairness in access to housing while simultaneously trying to cut the number of HUD staff who would be critical to implementation of such a major addition to HUD's responsibilities? Do you believe that HUD has the expertise and resources to handle these additional programs?

  RESPONSE: HUD currently serves more households in USDA-eligible areas than USDA does; FHA guaranteed approximately 633,000 single-family loans in zip codes that were 100 percent USDA-eligible from FY15 to FY17, compared to 258,000 loans guaranteed by USDA. HUD is confident a reorganization of rural housing programs into an agency with a core mission of housing would create efficiencies, reduce duplication, and improve the delivery of services to rural households and communities. Because such a reorganization would require legislative action, HUD looks forward to working with Congress to ensure that legislation authorizing Rural Housing Services' (RHS) transfer to HUD would allow for the housing programs to successfully meet their statutory and mission obligations.

- What are HUD's plans to provide oversight to ensure that covered housing providers, including public housing authorities, fully implement the Violence Against Women Act's 2013 Housing Protections and strengthen the Emergency Transfers Process so that survivors who live in HUD housing can quickly move to other HUD housing?

  RESPONSE: HUD issued the final regulations for all Covered Housing Programs in 2016 (see generally 24 CFR § 5.2001- § 5.2011). Specifically in 24 CFR § 5.2005, there is a requirement for a "Notice of Occupancy Rights under the Violence Against Women Act," to ensure tenants are notified of their VAWA protections, including the right to confidentiality and available remedies to victims of domestic violence, dating violence, sexual assault or stalking. 24 CFR § 5.2009 sets forth the remedies that are available to victims of domestic violence dating violence, sexual assault, or stalking, including the requirement that covered housing providers have emergency transfer plans. In considering the needs of their grantees, HUD program offices have taken the following actions.

Office of Public and Indian Housing

The Office of Public and Indian Housing (PIH) has taken a number of steps to ensure that public housing agencies have the tools necessary to fully implement the Violence Against Women Act (VAWA), including carrying out the emergency transfer provisions.

- PIH issued guidance in the form of Notice PIH 2017-8.
- PIH published a VAWA webinar series.
- PIH staff have hosted local training sessions.
- PIH is working to provide further clarity through the development of a VAWA FAQ document.
- HUD is also revising HUD-issued VAWA forms to provide greater clarity and readability.

HUD has not determined it necessary to establish VAWA-specific oversight functions. If HUD should learn that, in carrying out its oversight duties, a PHA is non-compliant with the requirements of VAWA, HUD will take necessary actions.

Office of Multifamily Housing Programs

The Office of Multifamily Housing Programs has issued guidance and engaged in communications efforts to ensure that multifamily housing providers fully implement the Violence Against Women Act's 2013 Housing Protections and establish Emergency Transfer Plans. These efforts include:

- Issued guidance in Housing Notice 2017-05 for Multifamily owners and management agents
- Technical assistance products including a Q&A document, a webinar for owners and management agents, and a VAWA resource webpage
- A training webinar for Contract Administrators and HUD staff
- Participation in panel discussions and industry-sponsored training sessions on VAWA
- Currently updating HUD Form 9834 to include questions specific to VAWA requirements as part of the compliance review during Management and Occupancy Reviews (MORs)

Office of HIV/AIDS Housing (OHH) and Office of Special Needs Assistance Programs (SNAPS)

- OHH is in the process of finalizing a notice for HOPWA grantees and project sponsors on implementation of VAWA in the HOPWA program.
- OHH has answered questions about VAWA implementation through the HOPWA AAQ.
- SNAPS is in the process of finalizing notices for ESG and CoC grant recipients on the implementation of VAWA.
- SNAPS has included VAWA monitoring questions in the ESG and CoC Monitoring Exhibits.
- SNAPS is developing a webinar to provide information for ESG and CoC grant recipients. The first webinar will take place in November 2018.
- SNAPS has answered questions about VAWA implementation through the ESG and CoC AAQ.
- The Domestic Violence Housing TA Consortium is working with 6 communities on establishing emergency transfer plans that are compliant with the regulations.

Community Planning and Development (CPD)

- CPD's Office of Affordable Housing Programs (OAHP) has drafted VAWA guidance for HOME and HTF program covered providers. The VAWA guidance is focused on the Emergency Transfer Process and provides step-by-step examples of efficient and effective emergency transfer scenarios. Approval of the HOME/HTF guidance is pending review under the Paperwork Reduction Act. OAHP has offered VAWA training at national HOME and HTF grantee conferences and will continue on-going technical assistance to support HOME and HTF grantees

- Earlier this year, HUD released a report on the housing needs of American Indians, Alaska Natives, and Native Hawaiians. The report showed that housing conditions among Native Americans living in tribal areas are worse than for the U.S. as a whole. In your opinion, what more should HUD do to improve housing conditions among Native Americans, particularly in tribal areas?

RESPONSE: One of HUD's goals is to find ways to increase homeownership, and in Indian country key components in that equation are: improving access to private mortgage capital; leveraging financial resources; providing training and technical assistance; and increasing the impact of the Title VI Loan Guarantee program.

The referenced report was released in January 2017 and found that HUD's Indian Housing Loan Guarantee program, also known as the Section 184 program, helps to address the functional market barrier to private lending presented by tribal trust land. The report also detailed several recommendations to further increase lending to Native American families through efforts like enhanced agency coordination and regulatory improvements. In addition, HUD can provide training and technical assistance and make more loans available (through the Title VI Loan Guarantee program).

Interagency Collaborations

HUD continually partners with tribes and Tribally Designated Housing Entities (TDHEs) to find and maximize all the resources that are available to Indian country to support affordable housing development in a coordinated manner. As for interagency collaborations, HUD has engaged in productive conversations at the staff level with the Bureau of Indian Affairs (BIA) to synchronize the processing of certified Title Status Reports (TSRs) that are necessary to tribal trust land lending under the Section 184 program. HUD would like to be able to have sustained interagency conversation on Indian country housing policy at the senior policy-official level and plans to engage in more robust collaboration with the BIA and the U.S. Department of Agriculture Rural Development, once the Assistant Secretary for Public and Indian Housing is confirmed by the U.S. Senate.

Leveraging

HUD continues to promote and assist tribes with using tools available to make existing funding and resources go further through leveraging. Some Indian Housing Block Grant (IHBG) program grantees are very proficient at leveraging their financial resources. For example, a tribe could take out a Title VI guaranteed loan and use some of the need portion of their IHBG formula grant to front load needed cash to more quickly develop affordable housing and associated infrastructure. Another example would be an individual tribal member taking out a Section 184 single-family guaranteed loan to purchase the individual homes the tribe has developed as part of the Title VI development.

Training and Technical Assistance

HUD is developing, through its IHBG technical assistance program, a series of trainings that are designed to disseminate Indian Country's best affordable housing practices. The emphasis for the first trainings in the series will be leveraging and self-sufficiency. The trainings will use HUD's resources for logistical and substantive support and expertise, but will be coordinated with, and presented by, tribal housing professionals who have employed successful models and are willing to share. Attendees – other IHBG grantees – will hear from real practitioners who have made these strategies work in Indian country despite the challenges, and HUD will facilitate and document each session in extreme detail to also generate case studies for future dissemination.

Title VI (Reduced Subsidy Rate)

HUD is in the process of updating the Title VI Loan Guarantee program's credit subsidy model with the goal of updating several outdated assumptions that do not match actual program performance. Several updates are currently under review.

HUD will continue to use – and enhance its use – of its technical assistance to help tribes maximize their development efforts, and to better leverage the assistance they receive, through the dissemination of leveraging strategies that work in tribal communities.

- **You have indicated that you think more should be done to help formerly incarcerated people reintegrate successfully back into society. HUD has a very important role in this respect because stable housing is a necessary component of successful re-entry. And yet, HUD still has policies left over from the "war on drugs" era that create unnecessary barriers to housing for people with criminal backgrounds. In fact, housing authorities are still allowed to have "1-strike" policies that allow tenants to be evicted after a single incident of criminal behavior, no matter how minor.**

    - **What specific reforms do you think are necessary to reform HUD's approach on this important issue?**

    - **Last Congress, I introduced HR XX, the Fair Chance at Housing Act, which would comprehensively reform HUD's policies on screening and evictions with regard to criminal backgrounds. What is the Department's perspective on this important legislation?**

    RESPONSE: To fully develop the appropriate HUD policy position on H.R. 5085, the Fair Chance at Housing Act, HUD would need to examine any existing data and studies on the topic, or conduct further investigation, to determine the following:

- The financial cost of reforms that alter screening and eviction standards;
- The beneficial impact of such reforms; and
- The adverse consequences of such reforms.
- More rigorous approach (e.g., randomized control trials) to evaluating the efficacy of such reforms

Currently, HUD administers programs and dedicates millions of dollars in grants to assist the formerly incarcerated. Through HUD's EnVision Center initiative, HUD is examining new ways to aid the formerly incarcerated in conjunction with the Bureau of Prisons.

Current HUD Programs Assisting the Formerly Incarcerated:

Pay for Success (PFS) Permanent Supportive Housing Demonstration Program

- The PFS Demonstration tests the effectiveness of using a PFS financing model to fund Permanent Supportive Housing (PSH) using a Housing First approach for the target population people experiencing homelessness with frequent contact with the criminal justice, homeless services, and health care systems. The $10 million in funds appropriated to DOJ for the program are being administered by HUD under The Consolidated Appropriations Act, 2014 (Pub. L. 113-76) and the Consolidated and Further Continuing Appropriations Act, 2015 (Pub. L. 113-235). Of the $10 million, $8.679 million was awarded to grantees, $1 million was set aside for HUD's evaluation of the PFS Demonstration, and $321,000 was used to cover the costs of grant administration. The following organizations were awarded grants under the program:

Legal Name	Award	Demonstration Site Location
Corporation for Supportive Housing	$1.3 million	Los Angeles County, CA
Third Sector Capital Partners, Inc.	$1.3 million	Eugene/Springfield/Lane County, Oregon
United Way of Anchorage	$1.3 million	Anchorage/Matanuska-Susitna Borough, Alaska
Rhode Island Coalition for the Homeless, Inc.	$1,297,624	State of Rhode Island
University of Utah	$1.3 million	Tucson/Pima County, Arizona
American Institutes for Research	$1.3 million	Montgomery County/Prince George's County, Maryland
Ending Community Homelessness Coalition, Inc.	$881,376	Travis County/Austin, Texas
TOTAL	**$8,679,000**	

Juvenile Re-Entry Assistance Program (JRAP)

- The JRAP program supports successful transition to the community by reducing barriers to public housing, employment, and/or educational opportunities for current public housing residents up to 24 years old who have a criminal record, and/or former household members (who are up to 24 years old) of current public housing residents who, but for their criminal record, would be living in public housing. JRAP provided funding for Public Housing Authorities (PHAs) who have established a partnership with non-profit or other organizations to achieve that goal. The $1.75 million in funds appropriated to DOJ for the program are being administered by HUD under the Second Chance Act. The following grants were awarded under the program:

2016 Juvenile Re-entry Assistance Program Grants

State	Recipient	City	Amount	Partner	*Matched Amount
CA	Housing Authority of the City of Los Angeles	Los Angeles	$100,000	Public Counsel	$1,390,650
CT	Housing Authority of the City of Hartford	Hartford	$100,000	Center for Children's Advocacy, Inc.	$25,000
IL	Chicago Housing Authority	Chicago	$100,000	Bluhm Legal Clinic, Northwestern University School of Law	$55,216
IL	Housing Authority of Cook County	Chicago	$100,000	LAF	$25,000
IN	The City of East Chicago Housing Authority	East Chicago	$100,000	Indiana Legal Services, Inc.	$172,000
LA	Housing Authority of the City of Shreveport	Shreveport	$100,000	Legal Services of North Louisiana, Inc.	$109,811
LA	Housing Authority of New Orleans	New Orleans	$100,000	Southeast Louisiana Legal Services	$240,463
MA	Boston Housing Authority	Boston	$100,000	Greater Boston Legal Services Inc.	$32,549
MO	St. Louis Housing Authority	St. Louis	$100,000	St. Louis School of Law Legal Clinic	$99,202
NJ	Housing Authority of the City of Camden	Camden	$53,464	Rutgers Law School Reentry Clinic	$35,825

NY	Syracuse Housing Authority	Syracuse	$100,000	Center for Community Alternatives	$58,744
NY	New York City Housing Authority	New York	$100,000	Youth Represent, Inc.	$88,412
NY	Albany Housing Authority	Albany	$100,000	Legal Aid Society of Northeastern New York	$81,000
OH	Cuyahoga Metropolitan Housing Authority	Cleveland	$100,000	Legal Aid Society of Cleveland	$123,200
OH	Akron Metropolitan Housing Authority	Akron	$100,000	University of Akron School of Law	$174,115
PA	Philadelphia Housing Authority	Philadelphia	$100,000	Community Legal Services of Philadelphia	$25,000
RI	The Housing Authority of the City of Providence	Providence	$100,000	Rhode Island Legal Services, Inc.	$27,161
WI	Housing Authority of the City of Milwaukee	Milwaukee	$100,000	Legal Action of Wisconsin	$25,000
				TOTAL:	**$1,753,464**

Rental Assistance

- HUD's Rental Assistance programs serve more than 4 million low-income families across the country, some of which contain formerly incarcerated individuals. Although HUD has requirements preventing individuals convicted of certain crimes from living in public housing or receiving voucher assistance, some PHAs and owners who operate these programs have established policies to serve formerly incarcerated individuals, convicted of other crimes, who are not likely to threaten the health and safety of other residents. PHAs and owners may consider the needs of such individuals and their local community when establishing policies related to screening for tenancy and other admissions and occupancy policies.

New HUD Programs Assisting the Formerly Incarcerated

EnVision Centers

- HUD EnVision Centers will empower people to leave HUD-assisted housing through self-sufficiency to become responsible homeowners and renters in the private market. They will provide communities with a centralized hub for support in the following four pillars: (1) Economic Empowerment, (2) Educational Advancement, (3) Health and Wellness, and (4) Character and Leadership.

- Organizations that deal with the formerly incarcerated may be among the variety of government, non-profit and faith-based partners who will provide services at EnVision Centers.
- HUD is currently establishing a partnership with Bureau of Prisons to offer services at select EnVision Centers targeting the formerly incarcerated population.

Federal Interagency Reentry Council on Crime Prevention and Improving Reentry

- HUD is a member of the Federal Interagency Council on Crime Prevention and Improving Reentry, an inter-agency council focused on reducing crime, enhancing public safety, and increasing opportunities and improving the lives of all Americans. The council is co-chaired by the Attorney General, the Assistant to the President for Domestic Policy, and the Senior Advisor to the President in charge of the White House Office of American Innovation.

- Congress approved an expansion of the Moving to Work Demonstration (MTW) demonstration program to 100 additional housing authorities. This demonstration has never been subject to a meaningful evaluation to determine whether it is achieving its stated objective, or to discern positive or negative impacts on residents. However, as part of the expansion, Congress required cohorts of the new MTW housing authorities to be subject to rigorous evaluation. In October 2018, HUD published the MTW Operations Notice for another 45-day public comment period. The updated MTW Operations Notice removed the three waivers categories (General, Conditional, Cohort-Specific). The notice now combines the general waivers and conditional waivers sections and replaces them with a single MTW Waivers section, which groups the waivers by their applicable activities. To ensure that no harm would come to residents because of activities related to time limits, work requirements, and significant rent reform, the notice requires impact analyses and hardship policies for these activities. In some cases, there are also additional safe harbors for more vulnerable populations like the elderly and persons with disabilities.

- The second tier ("Conditional Waivers") would allow a new MTW agency to seek waivers enabling them to establish time limits, work requirements, or rent policies that would cause residents to be cost-burdened – all without the rigorous evaluation required by the statute. Time limits, work requirements, and cost-burden rents could cause the most potential harm to residents. What will you do to ensure compliance with the statute governing the expansion and only allow time limits, work requirements, and cost-burden rents to be tested in this demonstration project through the most rigorous evaluation techniques, as HUD would include only in the third tier ("Cohort Specific Waivers")?

  RESPONSE: In general, PHAs selected for the MTW demonstration may seek exemption from most existing Public Housing and Housing Choice Voucher (HCV) statutory requirements and implementing regulations, except for the following: per the 1996 Appropriations Act, MTW PHAs may not waive Section 18 (public housing demolition/disposition) or Section 12 (labor standards and community service); per the 2016 Appropriations Act, MTW PHAs may not waive Section 8(r)(1) (portability) unless the Secretary determines that waiver of this section is necessary to implement comprehensive rent reform and occupancy policies subject to evaluation by the Secretary.

As directed in the 2016 Appropriations Act, the Secretary must direct one specific policy change to be implemented by each cohort of new MTW PHAs, and the policy change will be evaluated by HUD. Per the 2016 Appropriations Act, the MTW PHAs designated through the MTW expansion may also implement additional policy changes.

The 2016 Appropriations Act does not specify which policy changes will be evaluated in each cohort; rather, it requires the Secretary to establish a research advisory committee to advise the Secretary with respect to specific policy proposals and methods of research and evaluation for the demonstration. From 2016 through 2018, HUD convened the MTW research advisory committee six times, which provided the following recommendations:

- *Overall Impact of MTW Flexibility*: In this first cohort, the overall effects of MTW flexibility on a PHA and the residents it serves will be evaluated.
- *Rent Reform*: In this cohort, different rent reform models that may or may not be income based, to include flat rents, tiered rents, and/or stepped rents, will be evaluated.
- *Work Requirements*: In this cohort, work requirements for workable households will be evaluated.
- *Landlord Incentives*: This cohort will evaluate how to improve landlord participation in the HCV program through incentives such as participation payments, vacancy payments, alternate inspection schedules and other methods.

In January 2017, HUD published in the *Federal Register* for public comment the draft MTW Operations Notice, which establishes requirements for the implementation and continued operation of the expansion of the MTW demonstration program. HUD received over 800 comments, and made edits in response to public comments. In October 2018, HUD published the MTW Operations Notice for another 45-day public comment period. The Operations Notice will then be finalized in the winter. HUD also anticipates publishing the Selection Notice inviting the initial cohort of MTW PHAs to apply this winter.