S. HRG. 117–384

EXAMINING BIPARTISAN BILLS TO INCREASE ACCESS TO HOUSING

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED SEVENTEENTH CONGRESS

FIRST SESSION

ON

EXAMINING BIPARTISAN PROPOSALS TO EXPAND AFFORDABLE HOUSING OPPORTUNITIES

JUNE 24, 2021

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C O N T E N T S

THURSDAY, JUNE 24, 2021

WITNESSES

EXAMINING BIPARTISAN BILLS TO INCREASE ACCESS TO HOUSING

THURSDAY, JUNE 24, 2021

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10 a.m., in room SD–538, Dirksen Senate Office Building, Hon. Sherrod Brown, Chairman of the Committee, presiding.

OPENING STATEMENT OF CHAIRMAN SHERROD BROWN

Chairman BROWN. The Senate Committee on Banking, Housing, and Urban Affairs will come to order.

In our first hearing that I gaveled as Chair, we talked about how housing is the gateway to opportunity and to building a middle class, how too many families in our country are locked out of it.

I said that this Committee, the Banking and Housing Committee, will focus on housing perhaps more than the Committee ever has. Since then, I have been encouraged from so many Members of this Committee in both parties that have taken that change to heart. We have held hearings on the state of our Nation's housing and the legacy of racism in the housing system.

Last week, we heard from three mayors and a county commissioner about how housing is holding back communities and families in Pennsylvania, Ohio, Montana, and Arizona. We heard from the mayor of Bozeman that the city's businesses lose out on candidates for good-paying salaried jobs because there are not enough homes. The mayor of Tempe, said that they have had a 900 percent increase in the number of residents without a place to lay their heads at night. Just in the last 5 years, the mayor of Akron said most of his housing was built before 1970, long before we stopped using poisonous lead paint.

These are not isolated problems. Homeowners and renters, people working minimum or making a steady salary, they are struggling to find an affordable place to live. This is a national problem. Members of both parties in these hearings have asked thoughtful questions.

We will discuss many of these bipartisan proposals today. Let me just run through a number of them.

We have legislation to expand affordable housing opportunities: The Family Stability and Opportunity Voucher Act, introduced by Committee Member Democrat Senator Van Hollen and Republican off the Committee, Senator Young.

The Choice in Affordable Housing Act, legislation offered by Senator Cramer, a Member of the Committee, and Senator Coons.

S.2008, introduced by Senator Reed on the Committee and Senator Collins to strengthen the U.S. Interagency Council on Homelessness.

The Yes in My Back Yard Act, offered by Senator Young from Indiana, Schatz, and Senator Warnock from this Committee, shedding light on communities' plans to remove barriers to make housing more affordable and combat discrimination.

We will look at the Native American Rural Homeownership Improvement Act, introduced by a Committee Member who is present, Senator Smith, also Committee Members Rounds, Tester, Cramer, and also Schatz and Thune, that supports lending to Native Community Development Financial Institutions.

We will talk about a plan from two Committee Members, bipartisan, Senators Tester and Lummis, the Improving FHA Support for Small-Dollar Mortgages Act of 2021, something that will make a huge, huge, huge difference in so many States including in my neighborhood.

Many of us have read Matthew Desmond's powerful book Evicted. Inspired in no small part by that book, Senator Bennet and Senator Portman, one of each party, and I have introduced the Eviction Crisis Act.

In Ohio, we also know how the addiction crisis has torn families apart. Senators Casey and Collins introduced the Grandfamily Housing Act—I have joined them—to help grandparents caring for grandchildren find the housing support they need.

The Trafficking Survivors Housing Act of 2021, Senators Durbin and Blunt—I guess they are not Members of the Committee. I thought I had a trend going there. I guess I do not.

More of my colleagues have introduced other bipartisan housing acts. Senators King and Young, along with Cantwell, Tester of this Committee, and Kennedy of this Committee, have introduced the Task Force on the Impact of the Affordable Housing Crisis Act.

These ideas recognize, all of these together, recognize the breadth of our housing challenges. And they show how these problems cut across geographic, racial, and partisan lines.

They tell me, the reason I wanted to be on this Committee is that the word housing is in the title and everything starts with housing. Your health care, your access to food, your schools, your safety, the structure of the house, whether there is lead paint and lead in the pipes. All of those things matter.

So we have got lots of work to do in this Committee.

The last thing I will say, on Monday I was talking with parents from Ohio about the Child Tax Credit, what the expansion means for the ability to afford childcare and diapers and transportation and, of course, housing.

One advocate who worked with Northeast Ohio families said something she hears so often. She said she has talked to clients, these were her words, whose whole lives revolve around making their rent. Whose whole lives revolve around making rent.

We know how many people in this country, we know there are tens of millions of people who spend half or even more sometimes of their income in housing costs. One thing goes wrong, their life can fall apart. We have an obligation to them.

Senator Toomey.

OPENING STATEMENT OF SENATOR PATRICK J. TOOMEY

Senator TOOMEY. Thanks, Mr. Chairman.

I would like to begin with a brief aside. I would like to thank Mark Calabria, the Director of FHFA until yesterday. Mark is an outstanding American, extremely intelligent, knowledgeable about housing issues. I think he did an outstanding job leading the FHFA and I wish him well.

I will say I do think the Supreme Court actually reached the right decision about the authority of a President to fire him, even though that is not the policy outcome I prefer. I think it is the right constitutional decision.

I think the President made a mistake in firing a very, very good and qualified man who was doing an excellent job. I hope that the ultimate successor to Mr. Calabria, when one is nominated and confirmed, will be as dedicated to the important task of reforming the housing finance in this country as Mr. Calabria was.

When we had our first housing hearing this Congress, I made it clear that I am committed to working with all Members of this Committee to improve access to affordable housing. You may recall I released a set of principles at the start of this Congress for reforming the housing finance system.

And as I pointed out before, my principles that I laid out overlap significantly with the principles that you laid out, Mr. Chairman, back in September of 2019. So I think there is an opportunity and we should be working on a bipartisan solution to comprehensive reform of housing finance which will serve families and the taxpayers.

I am not sure that today's conversation is going to be primarily about ways that we can make housing more affordable. I think today we are going to be discussing a number of disconnected bills, most of which increase Government spending and interference in housing markets. I think we would be wise to remember that there is no guarantee that further Government spending is going to improve access and affordability of housing.

The Government already supports a very wide array of overlapping housing subsidies that have not been very successful in addressing affordability. We have a mortgage interest deduction, capital gains exclusion on house sales, property tax deduction, Government guaranteed and subsidized mortgages, we have LIHTC, a huge host of HUD programs.

But as with taxpayer subsidies for health care and higher education, all of these programs tend primarily to contribute to price escalation. Just last month, we saw that the year-over-year change in the median home sales price in American was up nearly 25 percent. That is staggering.

Now I acknowledge that monetary policy is probably the primary driver of this. But all of these subsidies are contributing, as well.

So if we want to make housing affordable, I think we ought to be talking about how Government subsidies foster higher housing prices and how monetary policy—in particular, the Fed's extraordinary easy money policy of zero interest rates and purchasing nearly half-a-trillion dollars a year in mortgage-backed securities—how those are contributing significantly to rapid escalation in home prices. And we certainly know that wages are not growing at 25 percent per year.

So the experiment of a vast subsidy framework combined with a hyper-accommodative monetary policy has actually driven up prices so much it has reduced the affordability of housing in America.

Congress recently has doubled down on subsidizing housing and that does not appear to be working so far. Congress appropriated over $80 billion for housing in response to COVID, much of it unanimously in the Senate. But much of the money has not gone out the door yet. Nearly $50 billion was spent on emergency rental assistance, little of that has reached landlords or tenants.

Congress spent almost another $25 billion on more HUD programs through the March 2020 CARES Act and President Biden's partisan relief bill, but 15 months after the CARES Act was enacted, less than one-third those funds have been spent.

I think we need a new discussion. I think the measure of success should not be just how many families are receiving housing assistance. We should begin focusing on enabling people to work their way out of poverty and empower them to graduate from Government support. But unfortunately, we often have the same conversations on how to expanding existing programs that are not working very well.

This Administration is ignoring the success of the welfare reform efforts that directly contributed to poverty reduction in this country. President Biden's partisan relief bill provided additional unemployment benefits, letting many people receive more money not to work than they make working. It also eliminated the requirement to work or prepare for work as a condition of receiving many welfare benefits like the Child Tax Credit.

And just a few weeks ago, HUD unilaterally decided it would not even study the effectiveness of work requirements for tenants receiving taxpayer assistance from HUD.

I certainly hope my colleagues will agree we do not want people to live their entire lives on Government assistance. This assistance should be temporary, should be transitional. But after 50 years and literally trillions in Federal housing support, there has been no meaningful change in home ownership rates.

HUD's rental programs also are meant to enable self-reliance in housing. However, according to most recent studies, we have seen the average length of stay for families across all HUD assisted housing programs nearly doubled from 1995 to 2015. At the same time, the average length of stay for voucher holders grew from just under 1 year to over 6½ years.

Just expanding the welfare State does not work. I think it is incumbent on Congress to craft policies that will actually help these families move on.

Today, we will hear from a witness who will provide an alternative view to expanding the welfare State. Howard Husock joins us from the American Enterprise Institute, and he will provide new ideas to consider for helping families to graduate from HUD assisted programs.

Key among them is we need not assume that the only way to reduce poverty is to grow housing programs. Government support does not always lead to better outcomes.

Before I end my remarks, Mr. Chairman, I just want to repeat that I welcome and encourage bipartisan compromise on major housing legislation. As an example, my principles for housing finance reform lay, I think, important groundwork for a bipartisan solution to a very large and as yet unresolved problem.

So I hope we can have bipartisan hearings to discuss housing finance reform itself. And I think we should dispel the myth that more spending without reform is necessarily a good thing for families.

Thank you.

Chairman BROWN. Thank you, Senator Toomey.

Lisa Mensah is the President and CEO of the Opportunity Finance Network, a CDFI network for other CDFIs. She previously served as Under Secretary of Agriculture for Rural Development and is the Executive Director of the Aspen Institute's Initiative on Financial Security.

She held positions at the Ford Foundation and at Citibank.

Welcome, Ms. Mensah.

Nan Roman is President and CEO of the National Alliance to End Homelessness. She is a nationally recognized expert on homelessness and has more than 20 years of local and national experience in the areas of poverty and community-based organizations.

Welcome, Ms. Roman.

Howard Husock is an Adjunct Scholar at the American Enterprise Institute. Prior to joining AEI, he held multiple positions at the Manhattan Institute. He served as Director, Author, and Executive Education Program Instructor at Harvard's Kennedy School of Government.

Welcome back, Mr. Husock.

Ms. Mensah, please begin.

STATEMENT OF LISA MENSAH, PRESIDENT AND CEO, OPPORTUNITY FINANCE NETWORK

[Pause.]

Chairman BROWN. I am not sure your mic's on.

Ms. MENSAH. Hello.

Chairman BROWN. Now it is.

Ms. MENSAH. There it is.

So again, whether we are paying rent or securing a mortgage, too many Americans are in crisis as they seek access to affordable housing. And this affordable housing crisis has worsened since the pandemic.

Bold new investments are needed to combat years of disinvestment, and this hearing gives us an important change to speak to some key bipartisan steps.

Community Development Financial Institutions, CDFIs, must play a central role in efforts to rebuild, rehabilitate, and rethink our housing stock. I want to speak to those three key themes today.

I am privileged to lead Opportunity Finance Network, a network of CDFIs operating in low wealth communities across the Nation. Financing affordable housing has long been a core business for the

CDFI industry. In 2019, certified CDFIs made more than 600,000 housing loans, totaling more than $56 billion. So CDFIs finance housing in areas of greatest needs.

I want to speak to one example of a great need for housing, which is on our Nation's Native lands. Mortgage lending on restricted trust lands is complicated. But CDFIs are specialized lenders who know how to do it.

This Committee already knows how important the Department of Agriculture is to providing rural housing. Yet, when USDA's 502 mortgage program struggled to reach Native areas, the USDA turned to two Native CDFIs in South Dakota, Four Bands and Mazaska, to implement a bold pilot program to relend 502 funds.

The USDA staff piloted a partnership with these Native CDFIs. They knew that as lending partners to the USDA, those CDFIs could deploy the capital responsibly, conduct the outreach and counseling needed to prepare the buyers, develop a pipeline, and ultimately put more people on a path to home ownership. And the results are clear.

Those two Native CDFIs were able to provide 20 loans totaling more than $2.3 million to first-time Native homebuyers on Tribal lands.

This pilot was successful because the CDFIs know their communities and have local market expertise. The low-cost capital from USDA was precisely what was needed to scale the program.

So I am very pleased to support the bipartisan bill S.2092 to support the relending pilot's expansion to get more 502 dollars to Native CDFIs. It deserves this body's support and attention.

In my time as Under Secretary of Rural Development, I traveled across the country visiting so many rural communities, including the low-wealth communities that CDFI's serve. And I saw what many Senators have seen and know to be true, that housing matters. And I appreciate your sentiments this morning, Senator, that our lives revolve around this. I applaud the bipartisan efforts and urge you to keep going.

The housing access challenge is significant but the answers, I believe, are in front of us and I want to highlight three areas where new investment is needed.

First, the rebuilding challenge. We need to rebuild significantly more new units of affordable housing. That is rental and home ownership. Without major new investments in the supply home ownership will remain out of reach and renters will struggle to pay their bills. And we can do this by investing in what we already have, Section 502 and Section 515 programs at USDA, and the Capital Magnet Fund at Treasury.

We also need to reduce barriers to building affordable housing through smart proposals like Senator Warren's bill to consider land use policies for Community Development Block Grants.

And we must rebuild a more resilient housing stock that incorporates greener technology.

Next is rehab. We have to be good stewards of the investments we have already made. We have to invest in repairing the existing housing stock. A 2016 USDA study showed a backlog of nearly $6 billion needed to repair leaky roofs and drafty windows, and that need has only grown. This is a renewal of our commitment to rural communities by repairing the infrastructure. CDFIs can be partners.

Finally, rethinking. We need to rethinking how we can meet the needs of our communities. One step in the right direction is the proposed review of the FHA mortgages to ask what more can be done to encourage mortgages for properties under $100,000. It is so important to rethink how to encourage the supply of mortgages and properties that are affordable for working families.

As we rethink, I want to encourage the Congress to think about using stronger partnerships with CDFIs. During the height of COVID–19, CDFIs were financial first responders. They quickly pivoted their models, offering forbearance to homeowners and payment relief for renters and landlords. We want to remain strong partners.

And to enhance and scale our field, we need you to urge your colleagues to also scale the Treasury funds that come to CDFIs. We are advocating for $1 billion in annual appropriations.

So in closing, I want to thank you for the chance to testify in support of the many strong bills today that would help address the Nation's housing and infrastructure needs and I urge you to look to CDFIs as partners. The time is now to invest in the very core of the communities, the place we call home.

Thank you.

Chairman BROWN. Thank you, Ms. Mensah.

Ms. Roman.

STATEMENT OF NAN ROMAN, PRESIDENT AND CEO, NATIONAL ALLIANCE TO END HOMELESSNESS

Ms. ROMAN. [Off microphone.]

Chairman BROWN. I think it is still not on. I am sorry, Ms. Roman.

Ms. ROMAN. [Off microphone.]

Chairman BROWN. I am sorry, the transcriber says it is not on. She cannot hear. Sorry about that.

Ms. ROMAN. Test, test. Now? OK.

Chairman BROWN. That is good.

Ms. ROMAN. Do I need to start over?

Chairman BROWN. You can start over, sure, and take an extra minute.

Ms. ROMAN. Thank you again so much for inviting me to testify before you today.

The National Alliance to End Homelessness is a nonpartisan, nonprofit organization committed to finding and implementing solutions to homelessness.

The Nation is experiencing a homelessness crisis that appears to have been exacerbated by the COVID pandemic. While homelessness decreased between 2007 and 2016, it has increased every year since then. For the first time ever, last year there were more unsheltered individuals than there were sheltered individual adults.

Alliance surveys during the pandemic indicate that overall the number of available beds is down, the number of homeless people is up, and the number of unsheltered people is up although some communities have managed to avoid these increases through strategic use of Federal stimulus funds.

The pandemic, we all hope, is ending but concerns remain about homelessness. There is a large cohort of youth whose educations have been interrupted and who may fail to attach to the job market and become homeless. There is a growing cohort of aging homeless people who need housing. And many feel that a rental housing crisis looms in our future, leading to more homelessness even if the economy is healthy.

The solution to homeless is housing, notwithstanding other needs that people may have including for services. Ending homelessness requires either increasing the supply of housing, housing that is affordable to lower income people, or increasing people's wages so that they can afford the housing that is available.

Many people will need services and we will have to address the racial disproportionality and disparities that have resulted in so many people of color becoming homeless. But the problem will not be solved unless the cost of housing is within reach of millions of low-income households who cannot afford housing today.

Fortunately, we have an opportunity before us now to significantly reduce homelessness. The stimulus funds that you have provided will, if used strategically, make a serious dent in homelessness, although they will not end it entirely. We are deeply grateful for the $14 billion in resources targeted to turning the ship on homelessness.

Congress has also placed several opportunities on the table that would definitely help reduce homelessness and that we support. Senators Van Hollen and Young's bipartisan Family Stability and Opportunity Voucher Act supplies housing vouchers for 500,000 families with services to help them locate in high opportunity communities. This would clearly be enough vouchers to end family homelessness.

The Choice in Affordable Housing Act, a bipartisan bill just introduced by Senators Cramer and Coons, would improve the Section 8 program by providing $500 million to incentivize landlords to participate in it. I can share that the homelessness system has learned quite a bit about incentivizing landlords, as it houses thousands of tenants every year who maybe do not look that great on paper.

Strategies that have worked include increasing the size of security deposits, acting as a third party when landlords have issues with a referred tenant, and immediately providing a qualified replacement tenant when a referred tenant is evicted. This bill would support these and other successful strategies to get people into housing.

Senators Brown and Blunt have proposed the Trafficking Survivors Housing Act of 2021. Sadly, homelessness is too often intertwined with human trafficking. This important bill would task the U.S. Interagency Council on Homelessness to examine what Federal agencies can do to eliminate that link between homelessness and trafficking.

And finally, Senators Bennet, Portman, and Brown literally just reintroduced the bipartisan Eviction Crisis Act. Everything this bill does to reduce evictions will help to reduce homeless. We are particularly grateful for the provision of flexible funding for people who can generally afford their housing but for whom any economic emergency can result in an eviction and even homelessness. This bill provides flexible assistance to break that pattern.

We support all of these helpful bipartisan bills.

I would be remiss if I did not say also that if you ask me what is the one thing that can be done that would end homelessness, I would say that it is to provide housing assistance to every extremely low-income household that needs it. This definitely also implies increasing the supply of affordable housing.

In closing, homelessness is not a problem that the homelessness system can solve alone. The homelessness system is like an emergency room. We get people who are in crisis and we can patch them up a bit. But just as the emergency room is not the solution to the Nation's health problems, the homelessness system alone is not the solution to the Nation's homelessness problem.

People who are homeless need more than an aspirin and a Band-Aid. They need an adequate supply of affordable housing, a voucher, and access to services.

Thank you so much for inviting the Alliance to speak before you today, and for your efforts on behalf of people experiencing homelessness.

Chairman BROWN. Thank you, Ms. Roman.

Mr. Husock.

STATEMENT OF HOWARD HUSOCK, ADJUNCT SCHOLAR, AMERICAN ENTERPRISE INSTITUTE

Mr. HUSOCK. I am pushing this button and it is not going green. I am paying for this microphone.

It is OK? OK.

Thank you very much, Chairman Brown and Ranking Member Toomey. I appreciate the opportunity to testify on the legislation being considered by the Committee, especially before my hometown of Cleveland Senator Brown.

I will specifically address these proposals related to the expansion of the housing choice voucher program and the proposed terms of the Community Development Block Grants.

There is no doubt that too many low-income households find it difficult to afford housing. But before considering a major expansion of the housing choice voucher program, we should make the existing program more effective. Let us keep in mind that the past year has seen unprecedented spending on Federal housing initiatives. The American Rescue Plan expanded the housing voucher program by allocating $5 billion dollars for 70,000 housing vouchers. That was referred to by Secretary Fudge as a once in a lifetime—once in a generation investment.

$46.5 billion has been allocated for emergency rental assistance. That rivals the annual HUD budget overall. The *New York Times* documented the fact that that rental assistance has been mired in limbo, in too many cases.

This all to say that our current focus should be on making sure the money in pandemic housing assistance is distributed as effectively as possible. But commonsense adjustments can increase the voucher program's reach specifically without major new spending while, crucially, providing incentives and encouragement for low-income households to improve their economic status.

Fundamentally, low-income households face an income problem. Providing a coupon that can be used only for rental assistance limits how they can use this new income while failing to address the root causes of why their income is low in the first place. We must not forget the steps it takes to truly encourage economic mobility for poor households. Providing skills training, ensuring every child has access to a high-quality public education, encouraging safe and healthy communities, and reducing racial barriers.

But we can and should, in the near term, make commonsense adjustments to the current housing choice voucher program. Let us not assume that poverty is a life sentence in America. This suggests that we better allocate vouchers by seeing them as a transitional program.

That leads me to two very specific proposals. First, the time has come to allow voucher households to sign the same type of rental leases as nonsubsidized households take for granted: a flat rent for a fixed period. As it stands, as a voucher or public housing tenants earns more income, they pay more rent, 34 cents on each new dollar. This has all sorts of ill effects: discouraging those who would seek a higher-paying job, the formation of two-income families, savings in general, including for potential house purchases.

To make better use of our housing vouchers, we should follow the example of the housing authority of the State of Delaware, I did not choose that randomly or for political reasons, which as part of its Moving to Work program combines capped rent and savings account escrows with a 5-year ceiling on housing assistance.

A similar program has been adopted by the housing authority of San Bernardino, California, which specifically sets out as a key goal the encouragement of tenants' economic independence, including what a shift it describes as from "entitlement to empowerment." Longitudinal studies in San Bernardino report earned income over that 5-year period for participating families increased by 31 percent. Full-time employment increased by 20 percent. And unemployment decreased by 26 percent.

This healthy turnover should be a core part of the voucher program. Poverty should not be viewed as inevitable and forever. As things stand now, there is turnover but we need to increase it. A transition to work and increased income is, today more than ever, a practical goal, as the Nation enjoys widespread labor shortages.

Let us resist expanding the program to and giving priority to low-income single parents, as the legislation suggests. It is understandable that we respond to need. But we must take care not to foster need by sending a signal that low-income single parenthood will qualify one for a subsidized rental which, in most jurisdictions today, is lifetime eligibility. We know that the life chances of those born to single mothers in poverty are such that this is not a choice we should inadvertently encourage.

The proposal to link Federal CDBG assistance to the encouragement of affordable housing is, on one level, understandable. There is too much inflexible zoning around the country. But the idea that there is a missing middle in our housing supply is rapidly gaining adherents, and localities are responding to the fact that children cannot live in the housing areas that they grew up in.

Minneapolis and Oregon have rolled back single-family zoning already. Mayor Garcetti of Los Angeles has just commissioned local architects to develop two-to-four family housing that is affordable to build. A one-size-fits-all Washington review of local zoning risks stifling this creative change.

Woodrow Wilson, he was a Democratic president, observed that, in the United States, localities are not governed; they govern themselves. This historic tradition is one we must keep in mind.

As Jenny Schuetz of the Brookings Institute wrote in 2018 about the idea of linking CDBG to affordability review: HUD's interest in persuading local governments to reform exclusionary zoning is admirable. But withholding CDBG would not be effective mechanism, because exclusionary communities do not get CDBG funding. It is the low-income communities that are already providing affordable housing that get that money. Let us not burden them with costly reviews.

A better approach embraces the spirit of localism and adaptability of American municipalities and acknowledges the growing success of State and local movements to increase housing supply.

I appreciate the opportunity to present my views. Thank you very much, and I look forward to your questions.

Chairman BROWN. Thank you, Mr. Husock.

I will start with Ms. Mensah. In many parts of Mr. Husock's and my own State, there are lots of homes, including in my neighborhood, 400 yards maybe from my house, listed for $40,000 or $50,000. They look like affordable starter homes but lenders generally will not make a mortgage for less than $100,000.

Senators Tester and Lummis, both on this Committee, both have a bill, the Improving FHA Support for Small-Dollar Mortgages Act, that would direct HUD to look at the barriers to financing these small loans through FHA.

Ms. Mensah, how could reducing these barriers to small loans help more families own their homes they can afford?

Ms. MENSAH. Thank you, Senator, for the question.

We support strongly this review. It is clear that markets do not push toward small in this case. Our CDFIs stand ready to make these mortgages, but we would benefit as a country from seeing the FHA do a thorough review and remove any barriers to being able to increase the supply and affordability of mortgages of under $100,000. We strongly support this bill.

Chairman BROWN. Thank you.

Ms. Roman, evictions—you know better than anybody in this room, and better than most in the country—can be both the result and the cause of homelessness. Talk about the Eviction Crisis Act. As you know, I recently introduced with Senators Bennet, Portman, and Young, on how to prevent evictions or ease some of the pain on families when they do happen. Talk about that.

Ms. ROMAN. Thank you so much for introducing that bill, that we are very, very supportive of. The Act will do a lot to help us understand better what goes on around evictions by collecting data, understanding when they occur, and therefore how we can prevent them.

It will also help jurisdictions find ways to prevent housing crises. Often we see, in the homelessness system, people that have become homeless because they could basically afford their rent but something happened, their car broke down or their child became ill and they could not go to work for a couple of weeks. Then they could not pay the rent that month and they entered a downward spiral into eviction and, often, eventually, into homelessness.

This bill provides the flexible funding that would give people a couple of hundred dollars so that would not happen to them; and we end up spending much, much more if they do become homeless.

Basically, I think it makes eviction the last course for somebody having a housing crisis, rather than the first thing that happens to them. And we are very supportive of it.

Chairman BROWN. Thank you.

You obviously are commenting about homelessness, how it puts too many people—in addition putting too many people at risk of human trafficking. The Trafficking Survivor Housing Act requires USICH to work with partners and stakeholders and survivors to study ways to get more survivors safe, affordable housing.

Talk about that. Why is this so necessary? What happens?

Ms. ROMAN. I can say that what we see in the homelessness system is that people who have been trafficked, who are severed from their ties in the community, or who need services, are often the people who end up in the homelessness system. People are trafficked out of the homelessness system and people who have been trafficked end up in the homelessness system. And I can also say that being homeless makes people very vulnerable.

But apart from knowing that homelessness and trafficking are entwined, we do not actually know that much about what happens. This bill will collect information on that so that we can see how it plays out and how we can help.

I think the USICH study would help with that. USICH is a really helpful agency because people who are homeless tend to have complex needs—needs that must be addressed by a variety of agencies. USICH helps the Federal Government coordinate to provide what people need across various agencies like Health and Human Services and HUD, for example, and in this case the Department of Justice. And I think that involving USICH and having that research will help us better understand so that we can detach homelessness from trafficking.

Chairman BROWN. Thank you.

Last question. In rural Minnesota, Northern Minnesota, Southeast Ohio, or Central Pennsylvania, we know there has already been a shortage of affordable places to live. By 2027, it is estimated that we will lose another 21,000 affordable USDA homes for rural renters just because they are old. How do we preserve, Ms. Mensah, these affordable units and keep them affordable in rural areas?

Ms. MENSAH. Thank you, Senator.

Thank you for your attention. The Department of Agriculture is a warrior for these homes and we need more support for the Agency's work. It is in front of you. The titles are there. We can increase the support for the rehabilitation and fund the titles that are in the law. And I urge you to keep the focus on rural housing.

Chairman BROWN. Thank you. Thank you both, all three of you. Senator Toomey.

Senator TOOMEY. Thank you, Mr. Chairman.

You know, as best I can figure, we have considerably more than doubled the amount of housing spending last year versus what is ordinary spending.

Mr. Husock, you pointed out that among the many things that we passed, we passed $5 billion for 70,000 new vouchers. But it turns out HUD has decided it is not even going to require verification of citizenship or immigration status, so we do not know whether these vouchers are even going to eligible Americans.

But speaking of the vouchers, you raised an interesting dilemma, it seems to me, and I am wondering if we could discuss this a little bit. And that is the idea that when the vouchers—as I understand what you were saying—is that the rental assistance requires a tenant to pay a fixed percentage of their income. And so the practical effect of that is it is equivalent to a very high marginal tax rate for the person, the more they earn the more they are required by this provision to pay in rent.

And so it is—all else being equal, it presumably dissuades people from the extra work and extra effort that is involved in having more income.

You mentioned a Delaware program, and I am happy to hear more about that, but in the absence of this kind of arrangement where you have this percentage of income requirement, do you necessarily, in the alternative, end up with a cliff where at some point you have to eliminate the subsidy. So if you do not sort of phase it down or have this percentage of income, do you have a cliff where the subsidy disappears and presumably that creates problems of its own?

Could you share your thoughts on that?

Mr. HUSOCK. Yes, that is certainly true. That is why I think we ought to focus on new tenants who make a new deal when they enter the system. And that new deal is I pay a fixed rent in exchange for accepting a 5-year limit on my overall tenancy. That is what the State of Delaware does. That is what San Bernardino does.

I think it is unlikely that we are going to change the terms for existing tenants, so that is a way to cut that Gordian Knot, I think.

Senator TOOMEY. So do I understand you to say that this arrangement that you are suggesting, and that is in place in several of these communities——

Mr. HUSOCK. Yes, right.

Senator TOOMEY. ——for new tenants is an explicit commitment on their part that it will be for a finite, limited, defined period of time?

Mr. HUSOCK. Yes, and it is voluntary on their part, at least to date. But yes, they sign a self-sufficiency type agreement. They have different terms for it. But yes, it is voluntary. They sign up for it. And they know that they are going to get, in a sense they are going to get a deeply subsidized rent for a 5-year time period.

Senator TOOMEY. And it is totally independent of their income? If they go out and they work overtime, they take a second job, they go to night school and get training and upgrade their skills, whatever they do to have more income, no effect on the arrangement?

Mr. HUSOCK. That is right. I think the housing authority in California asks that they put that additional savings that they would have paid in rent into escrow. That seems like a useful idea.

Senator TOOMEY. But they still own it?

Mr. HUSOCK. They still own it, yes.

Senator TOOMEY. So this is being done—did you also say in Delaware and in a city in——

Mr. HUSOCK. Yes, there are 27 Moving to Work communities. Many of them have these variations on this program. There have been proposals over the years to give housing authorities across the country more of this similar type of flexibility.

It was their idea to do this, not HUD's idea. And so if we increase the number of Moving to Work opportunities, more people might move to work.

Senator TOOMEY. Do we have any—do you know how long these programs have been in place in any of these communities?

Mr. HUSOCK. In San Bernardino, I am familiar with it having started in 2008, I believe.

Senator TOOMEY. So that is quite a while.

Mr. HUSOCK. Oh no, there are longitudinal studies by academic——

Senator TOOMEY. That is what I was going to ask. What do they show us? What does the data show about how this has affected people? What do we know about it?

Mr. HUSOCK. In San Bernardino, earned income for families in the program increased by an average of 31.4 percent during the 5 years. Full-time employment increased by 20 percent. And unemployment decreased by 26 percent.

Senator TOOMEY. So we know how that compares to a control group of people who, say, participated in the conventional programs?

Mr. HUSOCK. I do not know the answer to that.

Senator TOOMEY. Would that be a useful point of comparison?

Mr. HUSOCK. I think it certainly would be. And PD&R, as they call it in HUD, could certainly commission that kind of research and should pay more attention to this really unusual program that is kind of a stepchild at HUD right now.

Senator TOOMEY. I do not know why we would not want to at least get the data and see, you know, is this helping the people who are participating in it relative to people who are participating in——

Mr. HUSOCK. Just as we want eviction data, we want moving up and out data.

Senator TOOMEY. Right. Right.

Thank you. Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Toomey.

Senator Cortez Masto is recognized.

Senator CORTEZ MASTO. Thank you, Mr. Chairman. And thank you to the panelists.

Let me follow up on Senator Toomey's conversation. I am curious, Ms. Mensah or Ms. Roman, do you have a comment with respect to this—let me couch it right—the stepchild program that is in HUD right now? I am just curious. I think it is something to explore, but I would like to know, do you have any comments on the program itself?

Ms. ROMAN. There are disincentives, obviously, to increased earnings when you are in the Section 8 program. So I certainly do not have any objections to looking into ways that that might work better.

I do think, basically, that if the housing is unaffordable it is not going to be more affordable after 5 years necessarily. Obviously, you want people's incomes to go up and people's incomes do tend to go up. I believe, as Senator Toomey said, the average length of stay in Section 8 is only 6 years, as is.

But I think the Moving to Work program was to give flexibility to agencies to try different structures and that is what they are doing. It is good to do that.

Senator CORTEZ MASTO. Thank you. I appreciate that. Thank you for the comments.

Let me follow up, Ms. Roman, with you on the Interagency Council on Homelessness, a piece of legislation that I have cosponsored, Senate Bill 2008. What have been the historical successes of the Interagency Council on Homelessness? And what are some of the challenges, as well?

Ms. ROMAN. Well, I think one success has been, for example, the Mayor's Challenge on Ending Homelessness, which USICH really orchestrated. This initiative brought together not only the Federal agencies but also communities, mayors, to set goals on how many veterans they were going to get housed over a period of time.

That ended up reducing veteran homelessness by over half in a few years. Resources from you all had a lot to do with that, as well.

But you know, coordination is a boring kind of term and everybody always says we need to coordinate and have partnerships. We know that, but it is hard to do.

But I think USICH shows that another way to do it is to really have a boundary spanner, somebody who goes across the agencies rather than having to have the agencies all agree about how they are going to partner and just makes the partnership happen.

Senator CORTEZ MASTO. I appreciate that.

Listen, the one thing I have learned is just what you said, coordination is such an easy thing to say that should happen. But it does not always happen. And unfortunately, there are times when we have to force it through legislation to make sure everybody is talking with one another.

So I appreciate your comments. Thank you.

Ms. Mensah, let me talk about Native American Rural Homeownership Improvement Act which my colleague who is sitting to my right, Senator Smith is responsible for introducing. And I completely support it. I want to be a cosponsor or a sponsor on that bill with her.

Let me talk a little bit about the challenges in Nevada with our tribal communities. There is only one Treasury-certified CDFI in Nevada. In the past 30 years, we have had only eight awards to a Nevada-based CDFI. We are the only State with a single digit award amount to a CDFI in our State. Nevada does receive investments from regional and national groups, but awards to the Nevada headquarter groups have consistently lagged.

So how is your organization addressing the disparate coverage of CDFIs across the country? And what can we do in Congress to help address this issue, as well?

Ms. MENSAH. Thank you for the question, Senator.

The CDFIs have finally seen more visibility this year as the Nation has acknowledged that we are necessary partners in the financial system to get funds, and in this case for housing, throughout the country. There are 1,000 certified CDFIs covering all 50 States, but there are not sufficient.

So first of all, I appreciate your increased visibility, your efforts also to expand funding for us both through existing channels like the Federal Home Loan Bank, allowing those existing ones and to encourage the kind of partnerships that will assist.

I look forward to working with you and your team to increase the amount of CDFIs in Nevada.

But in the meantime, expanding the pilot that Senator Smith has sponsored will help. It will allow more partnerships to work with USDA, which is already in your State. So I believe it is a smart first step and I believe the kind of encouraging of partnerships with CDFIs with existing programs, run the same program but in better partnership.

It is expanding programs and it is giving us more funding and more access to funding. That is what happened in the PPP program and we believe it could happen in others.

So thank you for your visibility and attention.

Senator CORTEZ MASTO. Thank you.

Chairman BROWN. Thank you, Senator Cortez Masto.

Senator Smith from Minnesota is recognized for 5 minutes.

Senator SMITH. Thank you, Chair Brown and Ranking Member Toomey.

I really appreciate this panel. I am grateful to have a few minutes with you all to talk about this issue.

I always start from the place that if you do not have a safe, affordable, stable place to live then nothing else in your life works. Not your education, not your job, not your family, not your health. Nothing works. And we know that fair access to home ownership, and housing even, in this country is still not a promise that is realized for everyone.

And so this is really, I just want to thank you, Ms. Mensah, for highlighting the work that I have done with Senator Mike Rounds from South Dakota on the Native American Rural Homeownership Improvement Act. These bills in Washington all have such long names.

I am really—it seemed to us, I think what we have learned from the pilot that we now want to expand nationwide is that CDFIs, Native CDFIs in this case, because of the ties of understanding and trust that they have in community are able to make the connection and bridge the divides and overcome some of the discrimination that exists when it comes to lack of access to financing.

So could you just comment—first, do you think that that is right? Do I have that right?

Ms. MENSAH. Yes.

Senator SMITH. And then could you comment on what are some of the other ways, in addition to my bill with Senator Rounds, that we could deploy and lift up CDFIs to expand home ownership opportunities in other places in other ways with other Federal programs?

Ms. MENSAH. Thank you so much.

You are precisely right. When the USDA partnered in this pilot with the two Native CDFIs, Four Bands and Mazaska, you had the perfect partnership. You had the capital of a USDA program that I used to be a supervisor of that is a $1 billion program each year. And you had it positioned to work in Native areas, where we have had very little success. We were not just waiting for buyers to quality.

So I believe this is the direction. I fully support your opportunity. It is a wise expansion of this program.

And I appreciate your question about how would we look for other places in the Federal Government to expand housing. And I think people do not always remember that the Department of Agriculture is a huge and important houser in our rural areas. And there are so many parts of rural America that are not touched when we do these interesting moves on vouchers and things. It just does not have—it does not play out in rural America.

So I urge you to keep looking at USDA titles, 515 is our rental title. And I would also encourage the HUD titles to partner more with CDFIs.

And I want to thank you for your attention to Native areas.

Senator SMITH. Thank you. Thank you so much.

As I listened to all of your testimony, I think it really reveals something that I have come to understand from the many, many conversations I have had with people in Minnesota which is that across the board the housing market in this country is just failing. I mean, it is failing to meet demand, especially for low-income housing.

And we can see that failure across the spectrum. Ms. Roman, from lack of access to affordable housing and supportive housing, transitional housing for people who are experiencing homelessness all the way up to workforce housing needs in places like Thief River Falls, Minnesota, where literally the lack of access to housing is the limiting factor on whether companies in that community can recruit more folks to work in their businesses. This is, of course, a complicated problem.

But I want to just, in the minute I have left, come to Mr. Husock about this. You mentioned Minneapolis and the work that is happening in Minneapolis around the 2040 plan. This is a long-term planning work that has been doing to support local zoning reform. It basically does some pretty innovative things like saying we should reduce minimum parking requirements for new housing production. We should legalize triplexes citywide. We should allow for larger residential buildings to be built along transit corridors.

And it seems to me that this has the possibility of addressing one of the challenges we have around affordable housing, which is that it costs too much. We cannot afford affordable housing because it costs too much.

Now, I do not support making changes that would increase people's—that would damage people's safety. But could you just talk a bit about this, Mr. Husock, and how the Federal Government can support these kinds of innovative local zoning reforms?

Mr. HUSOCK. Thank you for the question.

I spent some time in Minneapolis looking at that plan and it is very innovative. It unfortunately became too controversial for some reasons. And the surrounding suburban areas are the ones with the most exclusionary zoning. Minneapolis city was already doing a pretty good job on relatively flexible zoning.

But duplexes, triplexes, fourplexes, small five-to-nine unit buildings, these are prohibited in most jurisdictions. They used to be our ticket to provide affordable housing that was naturally affordable because it was a number of units on a relatively small space. We need to rediscover that formula.

As far as what HUD can do, I am concerned about tying CDBG funds, as I said in my testimony, because that can be a lot of red tape and I do not want there to be a formula. But I think HUD should convene widely on this and help this idea spread, shine a light on it, including on what is happening in Minneapolis, what is happening in Los Angeles.

So I am glad to sound a bipartisan note on that.

Senator SMITH. Thank you.

I know I am out of time. I just want to mention, I think the Yes in My Back Yard Act, which some of my colleagues are working on, is an example of how we can sort of support better understanding about the impacts of these local zoning policies and advance them.

So thank you, Mr. Chair. I yield back.

Chairman BROWN. Thank you, Senator Smith.

Senator Scott is recognized for 5 minutes from South Carolina.

Senator SCOTT. Thank you, Mr. Chairman. Thank you for holding this hearing, as well, a very important hearing.

Let me just say, before Senator Smith departs, that I appreciate her cosponsorship of a bipartisan piece of legislation that I am leading with Senator Durbin, the Lead-Safe Housing for Kids Act. The commonsense bill would require HUD to modernize its lead prevention regulations to better protect children from the harmful risks of lead exposure. Thank you for being a cosponsor of that important legislation.

Thank you all for being here, as well, to discuss this really important issue about the housing availability.

While some of the bills being discussed here today could make small piecemeal improvements to the availability of housing, they do not address the bigger picture, one that is the failed State of our housing finance system. The status quo is not a viable option. No amount of tinkering in the margins will actually fix it.

The nearly 13 years since the GSEs were placed into conservatorship, their footprint has continued to grow while the mortgage market has gotten less diverse as a number of active private lenders have dwindled. This shortfall of competition in mortgage financing seems to be leaving too many Americans behind in their dream of home ownership as a lack of innovation and product choices has limited mortgage credit availability to too many credit-worthy households.

It strikes me that the most effective way to responsibly and sustainably make home ownership affordable and accessible for a broad range of Americans is for this Committee to get serious about finally enacting comprehensive legislative reform of our housing finance system.

Mr. Husock, do you agree that Congress should work in a deliberative and bipartisan manner on a comprehensive fix for the many challenges that we face within our system?

Mr. HUSOCK. Thank you very much, Senator Scott, for that important question.

The Chairman raised an interesting point earlier about that $40,000 home in Cleveland that cannot get a rehab loan. Well, when you have a mortgage finance duopoly, as we have in this country, there is no competition for those small dollar loans. I understand that we may have to subsidize other actors to get into that space, but we have to foster competition. And the way to do that is to expand the secondary market in a way that goes beyond the existing duopoly.

Senator SCOTT. Thank you.

I will yield back the balance of my time.

Senator VAN HOLLEN [presiding]. Thank you. Thank you, Senator, and thank all of you for your testimony here today. We have a vote on so we are going to be running back and forth.

First, Ms. Mensah, it is good to see you. We had a hearing the other day, actually, in the Appropriations yesterday, the subcommittee that oversees the CDFIs with Secretary Yellen. I just want to thank you for all of your good work on CDFIs and I am pleased to see the Administration's request supporting an increase there and grateful for all of your work. We are on the same page there.

I did want to use this as an opportunity, Ms. Roman, to talk about the bipartisan legislation that I have introduced with Senator Todd Young, which would provide vouchers to help families with young children move to areas of opportunity and couple them with wraparound services to make sure that in that transition they have a greater opportunity to succeed.

Could you talk a little bit about why this is an effective—assuming you think it is an effective—approach and some of the research that you may have seen that supports that conclusion?

Ms. ROMAN. Well, thank you so much, Senator, for introducing that bill.

Clearly, we have too many homeless families, although family homelessness has been going down slightly, which is good, compared to other populations. Many families that are homeless are very young and have young children. And there is a lot of evidence, obviously, about how housing instability affects young children, their educations and their development generally.

Also, of course, there is a tremendous amount of information about the consequences of growing up in neighborhoods where there is not opportunity, where the schools are not good, where the hospitals are not available, where the jobs are not there, where the grocery stores are not present, and relegating homeless and low-income families to these neighborhoods over generations obviously has its impacts.

So, I think that the scale and the configuration of your proposal are both extremely exciting. I said earlier, I do not know if you were here, that if it were targeted it could certainly end family homelessness altogether. And providing the assistance to help people, I think, increase their earnings and be connected with better services, better education, better support, you have much, much improved outcomes.

We are very, very grateful to you for introducing the bill.

Senator VAN HOLLEN. Thank you for your testimony, your work in this area. I do not have to, I guess, ask unanimous consent but I do want to put into the record a document that details some of the studies that have been done to support this legislation because it is an evidence-based piece of legislation.

Mr. Husock, if I can ask you—and I know that you are not a big fan of vouchers, I was looking at a piece you wrote in 2000 that is entitled "Let's End Housing Vouchers".

But I do understand from your testimony today, and some of your colleagues at AEI have also been positive, as you know, about the idea of if we are going to have vouchers trying to help families move to areas of greater opportunity.

If you are going to have vouchers, do you believe those kind of conditions and wraparound services are the most effective way to go? Do you agree with the research that has been done that supports that conclusion?

Mr. HUSOCK. I am familiar with Professor Raj Chetty's work, which I think you are referring to.

Senator VAN HOLLEN. Yes.

Mr. HUSOCK. And I think that the voucher program, as I said in my testimony, can be effective. I am a practical person. I understand the voucher program is here with us and we need to make it effective. And that is why I favored the flat rate rent and the transitional character of it.

I do worry about the idea that we are going to give up on lower income neighborhoods and cast them off as being low opportunity zones. HUD was originally chartered by the Johnson administration to make poor neighborhoods good neighborhoods. And to me, I fear that we are signaling that if you live in a low-income neighborhood, it is a low opportunity zone. That is a dispiriting message to give. And I think we have an obligation in our public services, in our schools, in our law enforcement, to make every neighborhood a good neighborhood and every neighborhood a high opportunity zone. So I worry about the practical dimensions of it.

And I notice in Professor Chetty's work, he found effectiveness for children aged 13 and younger. Well, are we going to cast people off when their children get to be 13? There is a lot of details on this we have to look at. And I think we have to be empathetic to property owners who may have different reasons for wanting to participate in the program or not.

Senator VAN HOLLEN. Well, I look forward to having you back for another hearing on the idea of making sure that we can better empower neighborhoods right now that are struggling. And there is a number of bills that have been introduced. And I would argue a big part of President Biden's plans, both in terms of the American Jobs plan but also the American Families plan, would provide many additional supports and help to families to be more successful in those areas, including the school systems.

And I have long worked to try to increase the resources as well as the reforms and other changes to better empower those neighborhoods.

But at this moment in time, we have something that seems, at least through the evidence, to have been shown to be effective at helping these families. And it seems to me that we should seize that opportunity.

So at this point in time, there is a vote on. I am going to recess the Committee briefly, because I have got to go vote. And Senator Warren will be back shortly to ask some questions. And I am pleased that we have been joined by Senator Ossoff.

So the Committee is recessed until it is reconvened.

[Recess.]

Senator WARREN [presiding]. The Banking hearing is back in session.

I recognize myself to ask some questions here.

I want to thank our witnesses for being here today.

To address our Nation's housing needs crisis, we need a bipartisan commitment to take on our Nation's housing needs headfirst, not just nibble around the edges on them.

I am deeply concerned about comments my Republican colleagues on this Committee have made about housing investments, namely that housing does not constitute "real infrastructure" since infrastructure only means "things like roads, bridges, ports, airports, and transit." Housing is essential infrastructure.

I agree with Secretary Fudge who told this Committee several weeks ago that housing "lays the foundation for a stronger and more connected society."

So I want to talk a little about the State of our Nation's housing. And I want to start out with public housing here.

Ms. Roman, is our Nation's public housing in good shape? Or do we have a long list of repairs that have been outstanding for years?

Ms. ROMAN. Our public housing is not in good shape and we do have a long list of repairs that have been outstanding for many years. And we are losing, as a result, public housing units every year, I think at the pace of about 10,000 a year, to demolition or disposition. And we have lost, I think, more than 200,000 units since the 90s.

So yes, that infrastructure is in need of fixing.

Senator WARREN. So think about that. We are talking about our public housing and the fact that we do not spend enough money on just plain old maintenance and repairs. That means we are losing about 10,000 units a year, about 200,000 units that we can count so far, units that families need to be able to live in.

This means that families are living in unsafe, unhealthy, and undignified conditions. We need more than $70 billion just to make public housing safe for the residents who are there.

We are not even talking about the investments we need to make to upgrade public housing to withstand the impact of climate change or to incorporate energy efficient upgrades. This is just to maintain the level of where we are now, to have this critical source of housing available to us. So even if we zoom out, the situation on housing is not much better.

Ms. Mensah, is the Nation's housing stock overall in sound condition?

Ms. MENSAH. Thank you, Senator, for the question.

It is not in sound condition. We must be better stewards of this.

A PolicyMap and Federal Reserve study showed that there were actually $127 billion of repairs. And when I served as Under Secretary of Rural Development, we identified $6 billion in the Nation's rural rental properties.

Stewardship matters. And the CDFIs that I represent stand ready to be your partners in this effort. We can create loans for homeowners who want to do this. We can work with properties. We are the ones who want to do this kind of rehab.

And today, it will be more energy efficient. We will rebuild greener when we repair.

And there is no reason to not be good stewards of what is already here. So thank you.

Senator WARREN. Thank you.

And I very much appreciate your point but I really want to underscore what this means. When we do not maintain, what kind of things are we talking about? We are talking about pest infestations, plumbing that does not work, structural problems, electrical problems that can be very dangerous, hearing problems, leaks. And as you say, we are looking at about $127 billion worth of repairs just to be able to maintain where we are.

Ms. Roman, if a low-income family living in a crumbling house wants to move to safe housing, housing that is free of mold, free of pest infestation, does not have lead pipes, can they generally find someplace affordable to move?

Ms. ROMAN. No, because there is not an adequate supply of affordable housing and the places they will be looking at that they can afford will probably be as you described, like the places they are trying to leave.

Senator WARREN. Yes. And you know, that is the real problem here. We are disinvesting in the affordable housing that exists, losing units year after year. We are not making investments to produce enough new affordable housing. And while Congress twiddles our thumbs, we put families at risk. We put their health at risk.

President Biden recognized the urgency of this need when he included historic investments in housing in his infrastructure proposal. And I have said all along frankly, we need to make bigger investments in housing.

But instead, some in Congress are saying that we can kick housing out of the infrastructure package altogether in hopes that Republicans will agree somehow then to vote for the package. Or that Democrats can go it alone but only if we spend less than President Biden proposed in his American Jobs Plan and American Families Plan.

This is unacceptable. We need to be going further than the President has proposed, not settling for half as much and then patting ourselves on the back for a job well done. Families across this country understand the stakes. It is time that Congress catches up with the needs that our families have in housing and that we finally make the investments necessary to turn this crisis around.

Again, I want to thank you very much for being here today and thank you for your work.

Thank you, Mr. Chairman.

Chairman BROWN [presiding]. Thank you, Senator Warren. Thank you.

Before turning it to the most senior Democrat on this Committee, Senator Reed of Rhode Island——

Senator REED. The oldest.

Chairman BROWN. I want to announce that his staff, James Ahn, this is his last day or last hearing for sure, his last day is tomorrow. He has been serving for better than a decade. I have worked with him, and my staff has worked with him for years now. He even looks out for my grandchildren in his boss's home State of Rhode Island.

But Mr. Ahn, most significantly, I mean it is significant he is a public servant. But the work that he was here, maybe the only personal staff still here from the Dodd–Frank days. And he was helpful in that legislation. And Jack Reed played a major, major role. It should be called the Reed–Frank bill, but it is not.

And James was new then, and James was not able to get Jack Reed's name in the title apparently.

Anyway, Senator Reed is recognized for 5 minutes.

Senator REED. Thank you very much, Mr. Chairman.

I join you in saluting James. He has been an extraordinary asset, not just to my office but to the Committee. We will miss him but we will still be calling upon him.

Thank you all for your testimony. This is absolutely a critical topic. Everywhere I go in Rhode Island, everywhere we go around the country, affordable housing, affordable housing is the cry.

Ms. Roman, I believe Senator Cortez Masto touched on this but Senators Collins, Van Hollen, Senators Cortez Masto, Klobuchar and I have introduced the S.2008, which is extending the life of the Interagency Agency Council on Homelessness. Could you comment on how critical that is?

Ms. ROMAN. Yes, thank you so much for introducing that. I did talk a little bit about it before to just say that people who are homeless generally have complex issues. We talk about the need for cooperation and partnership and everybody agrees with that but it is hard to make it happen.

USICH sort of makes it happen through being a boundary spanner, going among agencies and pulling together what is needed from each one to really address homelessness. I think it is a pretty inexpensive way to really improve outcomes.

They also share information with the States and localities on best practices and so forth, which is also extremely helpful and creates those partnerships.

As long as we have homeless people, it would be good to have USICH so I appreciate your efforts there.

Senator REED. Thank you very much.

It is a holistic problem. It is not just one thing. And you need interagency cooperation.

Looking at numbers around for Medicaid, for example, the homeless average $14,723 a year higher than the average Medicaid recipient who presumably is in housing. That is just $8,200. That is an example of some of the costs that are not borne by the housing system but borne by the health care system.

I concur, that is why we are trying to push the legislation. Thank you.

Ms. Mensah, Capital Magnet Fund, it is a competitive affordable housing grant that is funded outside of the appropriations process, which is good. And in addition, it allows grants for economic development, service facilities such as daycare centers, workforce development.

Could you discuss the importance of anchoring affordable housing around economic development activities like daycare centers and other things that allow people to work?

Ms. MENSAH. Senator Reed, thank you for your question.

The Capital Magnet Fund is a very valuable tool for both housing and the economic development activities. We support expanding the Capital Magnet Fund to provide over $12 billion over the next 5 years. We are in full support of this.

It is incredibly efficient. And I think what was so wise about this was not just its unique funding mechanism, but its targeting of the way partners join CDFIs.

Capital Magnet Fund awardees have leveraged over $18 billion in the past 5 years of funding. That is over three times the requirement. And they have completed projects through this that has been 28,000 units of affordable housing, including 4,500 home ownership.

So this is a program that has worked. We thank you for your early championship of this program. But it is time now, as I spoke in my testimony, to expand what we know works.

So I thank you for your attention to this. It is the knitting together of home ownership and economic activities that will transform our communities.

Senator REED. I concur. I was at a celebration earlier of 14 separate units in Providence, Rhode Island funded from the Affordable Housing Trust Fund, which we also developed as well as the Capital Magnet Fund. And these now are first-rate housing.

And basically, it is not only providing housing, it is stabilizing the neighborhood.

Ms. MENSAH. Exactly.

Senator REED. Which was just on the precipice of beginning to slide. So thank you for that.

And just a final question, Ms. Roman, I was struck in your written testimony, the analogy that the homeless system is like an emergency room. We patch you up and we figure out what is going but we have got to send you someplace. And the present system is not the solution.

I will just give you 11 seconds. What is the solution?

Ms. ROMAN. Well, the solution is housing. We need housing to send people to. And the faster we get them into the housing, the better off they are. Being homeless is terrible for your health. We have seen that during COVID. Unsheltered people, for example 50 percent of them are trimorbid, they have mental health, substance abuse, and physical illnesses. We need to get people into housing.

Senator REED. Thank you.

Thank you, Mr. Chairman. Thank you all.

Chairman BROWN. Thank you, Senator Reed.

There is one Member we are awaiting and I have a couple of other questions so I will take the liberty to, I guess, do a second round and a question for each of you.

Ms. Mensah, many of the lowest income homeowners in rural areas, we talked about the problems of housing in rural America, depend on the USDA 504 program to make critical repairs and improve the efficiency of their home to save on monthly bills. Talk to us about the 504 program, especially the grants that are available through that program to help homeowners in rural areas stay in their homes.

Ms. MENSAH. This is one that brings me to tears when you see the successes that have happened with this program. Elderly residents getting ramps so that they can get into their homes, better heating, better efficient systems. It is exactly what we need.

The only problem with the 504 program, it has been too small. So I would urge your attention to this.

In some ways, rural housing does not have the attention of the Nation but it is experienced painfully by the people who are part of rural America. So I appreciate the attention.

My feeling is that the tools are there within USDA. They can be partnered as appropriate, like we saw with the 502 Relending Pilot. But they are there and they just need your attention and an increase. These are powerful, smart pieces of legislation that already work.

Chairman BROWN. Thank you, Ms. Mensah.

Ms. Roman, I have introduced a bill with Pennsylvania Democrat Bob Casey and Maine Republic Susan Collins to support housing for grandfamilies, grandparents raising their grandchilden, often after traumatic circumstances. We would provide funds to repair and maintain apartments for grandparents and grandfamilies, if you will, and provide service coordinators to help connect these families to services.

Talk about why this is important, to support families that so often could end up afflicted by homelessness.

Ms. ROMAN. I will say, among homeless individual women, women who are homeless but not with their families—the most common situation is that they have children and the children are staying with another family member. They are often families that are very poorly resourced, as well, and at risk.

So, think this would be tremendously helpful. Obviously, there is help that needs to be provided to the parents but to be able to support the grandparents to take care of families, I think would make a real difference in homelessness situations.

Chairman BROWN. There is one more Senator that I am awaiting, but we cannot really wait too much longer. But would each of you just like to summarize any thoughts each of the three of you want to give to the Committee? And then, if the Senator who may or may not be returning has not arrived, I will adjourn. But if he has, I would like to give him the opportunity.

Mr. Husock, you want to start on that?

Mr. HUSOCK. Sure. I appreciate the opportunity, Senator Brown.

I think the thrust of my remarks is let us view our housing programs not in isolation to our general assistance programs for people of low-income. The issues involve giving incentives to improve their lives over time, trusting them to improve their lives over time. When we remark that after 5 years they will still be in the same situation, that is a pessimistic view of America and I do not share it. I think that we should look to uplift through incentives. I think we should be careful in providing programs that may provide disincentives for upward mobility.

Just a quick comment on eviction. We have to be careful. Many of those—if you look at Matthew Desmond's wonderful book which the Chairman referenced, among the heroes of that book were low-income landlords who were struggling to pay their bills and were dealing with tenants who were causing significant problems not just I paying their rent but for other tenants, starting fires, other things like that.

So the housing ecosystem is a complex ecosystem and we need to look at it holistically rather than saying let us just stop evictions. No, let us study the situations that lead to evictions and try to assess those, both for owners and for tenants.

Thank you, very much.

Chairman BROWN. Mr. Husock, thank you for those comments and insight.

Ms. Roman.

Ms. ROMAN. I think really it is housing that is the solution to homelessness. We have a fairly sizable homelessness system. It is not inexpensive. And it is, I think, the tip of the iceberg in terms of what homelessness costs us in other areas, health care, policing, education.

To end homelessness we just need to focus on getting people experiencing homelessness into homes. That will solve the problem of homelessness.

Chairman BROWN. Thank you, Ms. Roman.

Ms. Mensah, thank you.

Ms. MENSAH. Thank you, Senator.

I think what was interesting about being invited to address this hearing was that it had the word bipartisan in our title, as you were seeking to increase access to housing. And I think there are so many practical ideas that can go a long way to the real unfinished work we have.

But if I could leave you with one thought, it is that America is a complex place. And its localities are very different. And an army of Community Development Financial Institutions stands ready to be a smart partner to the work of finishing what is unfinished in providing housing.

I am so appreciative of the attention to Native housing. So rarely do we get a moment to speak to our Tribal areas.

I am appreciative to the focus on rural housing. So rarely do we get a chance to focus on this.

And in all of this, I feel like the Nation can do better to turn to our CDFIs in the jobs of rebuilding and rehabilitating and rethinking our housing stock. And I want to thank you for the attention to make this case today.

Chairman BROWN. Thank you.

What excited me about this hearing is there are probably 20 of my colleagues, roughly half Democrats and half Republicans. I spoke to a number of them today. I spoke to Tester and Reed and Coons and Collins and Cramer and Young and Van Hollen, and a number of them have bipartisan bills. These are not, you know, this is an investment of $100 billion in public housing. It is not the big rental assistance we did in the most recent bill.

But it will make a significant difference and it is something that this Committee, I am hopeful, can do. That is, to me, why this is one of the—I mean, it was exciting to do this hearing and be a new Chair and look at the history of structural racism from black coats to Jim Crow to redlining to the Trump administration locking in discriminatory housing practices and how we address that.

But today, to me, was just a very uplifting time that we can do a lot of things bipartisanly, taking the ideas of the three of you and many of my colleagues.

So thank you for being here.

The Senate Committee on Banking, Housing, and Urban Affairs is adjourned.

[Whereupon, at 11:27 a.m., the hearing was adjourned.]

[Prepared statements and responses to written questions supplied for the record follow:]

PREPARED STATEMENT OF CHAIRMAN SHERROD BROWN

In our first hearing I gaveled as chair, we talked about how housing is the gateway to opportunity, and to building a middle class life—and how too many families are locked out of it.

I said that this Committee, the Banking and Housing Committee, will focus on housing, perhaps more than the Committee ever has.

Since then, I've been encouraged to see Members of our Committee, of both parties, take that charge to heart.

We've held hearings on the state of our Nation's housing, and on the legacy of racism in our housing system.

And last week, we heard from America's mayors about how the lack of affordable housing is holding back communities and families in all parts of the country.

We heard from the Mayor of Bozeman, Montana, that the city's businesses are losing out on candidates for good-paying salaried jobs because there are no homes potential workers can afford to move their families into.

We heard from the Mayor of Tempe, Arizona, that they've had a 900 percent increase in the number of residents without a place to lay their heads at night, in just in the last 5 years.

We heard from the Mayor of Akron, Ohio, that most of their housing was built before 1970, long before we stopped using poisonous lead paint.

These aren't isolated problems. Homeowners and renters, people working minimum wage or making a steady salary—they're all struggling to find an affordable place to live.

This is a national problem. And our Members of both parties have asked thoughtful questions, listened to our witnesses, and are already working on solutions.

We'll discuss some of those bipartisan proposals today. Many of them are proposals that the Members of our Committee have introduced in past Congresses—and it's unfortunate that they have not been considered before today.

These ideas take steps to bring down housing prices for families, and they tackle the housing needs of renters, aspiring homeowners, and Native communities.

All of the bills we'll discuss today are bipartisan, and all of them have at least one cosponsor from this Committee.

We have legislation to expand affordable housing opportunities:

- The Family Stability and Opportunity Voucher Act (S.1991), introduced by Senators Van Hollen and Young, which will help half a million more families afford a home, including in areas with greater opportunities
- The Choice in Affordable Housing Act (S.1820), legislation from Senators Cramer and Coons, to encourage more landlords to participate in affordable housing programs.

We'll examine a bill, S.2008, introduced by Senators Reed and Collins and others to strengthen the U.S. Interagency Council on Homelessness, and we'll look at the Yes in My Back Yard Act (S.1614), offered by Senators Young, Schatz, and Warnock, that sheds light on communities' plans to remove barriers to making housing more affordable and combat discrimination.

We'll look at the Native American Rural Homeownership Improvement Act (S.2092), introduced by Senators Smith, Rounds, Tester, Cramer, Schatz, and Thune, that supports lending to Native Community Development Financial Institutions, to increase Native American home ownership in rural communities.

We'll talk about a plan from Senators Tester and Lummis—the Improving FHA Support for Small-Dollar Mortgages Act of 2021—to encourage more small-dollar mortgages.

Many of us have read Matthew Desmond's powerful book *Evicted*.

Inspired in no small part by that book, Senators Bennet and Portman have reintroduced the Eviction Crisis Act, which I'm also proud to cosponsor.

In Ohio we also know how the addiction crisis has torn apart so many families. It's one of the reasons I joined Senators Casey and Collins to introduce the Grandfamily Housing Act, to help grandparents who are caring for their grandchildren find the housing and support they need to help children thrive, after often traumatic circumstances.

I also have a bill, the Trafficking Survivors Housing Act of 2021 (S.2049), with my friends Senators Blunt and Durbin to identify ways to help survivors of human trafficking find safe housing and rebuild their lives.

And more of our colleagues have introduced other bipartisan housing bills just this week.

Senators King and Young, along with Senators Cantwell, Tester, and Kennedy, have reintroduced their bill, the Task Force on the Impact of the Affordable Housing Crisis Act, to research the effects of unaffordable housing on families.

These ideas recognize the breadth of our housing challenges. And they show us how these problems cut across all geographic and racial and partisan lines. Every one of these bills is bipartisan.

Of course these bills alone won't solve all our housing problems. They're not a substitute for the generational investment we need in our housing infrastructure.

We must take the opportunity for something far more transformative:

We can build more homes people can afford, and we can improve the homes we already have and make them more affordable.

We can make houses and apartment buildings more energy efficient and bring down people's utility bills.

We can remove lead that poisons our kids.

And we can hire American workers to do it all—these are jobs that can't be shipped overseas.

The bills we'll consider today won't accomplish that on their own. These ideas are a downpayment on our commitment to start solving the problems we can, on a bipartisan basis.

On Monday, I was talking with parents from Ohio about the Child Tax Credit, and what the expansion we passed will mean for their ability to afford childcare and diapers and transportation and, of course, housing.

One advocate who works with Northeast Ohio families said something that she hears so often from Ohioans—she said their whole lives revolve around making rent.

Think about what it's like to live with that stress.

On this Committee, we have an opportunity to make people's lives better through better housing policy

All of us should get to define what home looks like for us. And people should be able to find it and afford it without that crippling stress every single month. Today, we will consider bipartisan ideas to make it so for everyone.

PREPARED STATEMENT OF SENATOR PATRICK J. TOOMEY

Mr. Chairman, thank you.

As I made clear at our first housing hearing this Congress, I am committed to working with all Members of this Committee to improve access to affordable housing. You may recall I released a set of principles at the start of this Congress for reforming the housing finance system. And as I pointed out before, my principles overlap with the principles you laid out in September 2019, Mr. Chairman.

We must work in a bipartisan manner toward comprehensive reform which serves families and the taxpayers. But we aren't here today to talk about ways we can make housing more affordable. Instead, we are asked to discuss a number of unrelated bills, most of which increase Government spending and interference in housing markets.

We would be wise to remember there is no guarantee that further Government support will improve access to housing. The Government already supports a whole array of overlapping housing subsidies that have done little to address affordability: mortgage interest deduction, capital gains exclusion on home sales, property tax deduction, Government guaranteed and subsidized mortgages, LIHTC, a host of HUD programs.

As with taxpayer subsidies for health care and higher education, all of this support for housing is only leading to price escalation. Just last month, the year-over-year change in median home sales price has grown to nearly 25 percent. We know wages aren't growing 25 percent year-over-year.

If we want to make housing affordable, we should be talking about how Government subsidies, and how monetary policy—the Fed's easy money policy of low interest rates and its purchase of nearly half-a-trillion dollars in mortgage-backed securities annually—are causing rapid home price inflation. The experiment of a vast subsidy framework combined with accommodative monetary policy have done little to address affordability.

Congress recently doubled down on subsidizing housing and it doesn't appear to be working. Congress appropriated over $80 billion for housing in response to COVID, but much of this money hasn't gone out the door yet. Nearly $50 billion was spent on emergency rental assistance, but little of this is reaching landlords and tenants. Congress spent almost $25 billion on more HUD programs through the March 2020 CARES Act and President Biden's partisan relief bill, but 15 months after the CARES Act was enacted, less than one-third those funds have been spent.

And none of the money from the Administration's flagship spending bill has actually been delivered to any family.

We need to start a new discussion. The measure of success shouldn't just be how many families are receiving housing assistance. We should begin focusing on enabling people to work their way out of poverty and empower them to graduate from Government support.

But we appear to be having the same conversations and doubling down on the same unworkable ideas that only grow the welfare State. This Administration is ignoring the success of those welfare reform efforts that directly contributed to poverty reduction in this country.

President Biden's partisan relief bill provided additional unemployment insurance benefits, letting many people receive more money than they would working. It also eliminated the requirement to work or prepare for work as a condition of receiving many welfare benefits like the child tax credit. And just a few weeks ago, HUD unilaterally decided it wouldn't even study the effectiveness of work requirements for tenants receiving taxpayer assistance from HUD.

I hope my colleagues would agree we don't want people to live their entire lives on Government assistance. Assistance must be temporary and transitional. But after 50 years and trillions in Federal housing support, there's been no meaningful change in home ownership rates—64 percent in 1970 compared to 65.8 percent in 2020.

HUD's programs also are meant to enable self-reliance in housing. However, according to most recent studies, we've seen the average length of stay for families across all HUD assisted housing programs nearly double from 1995 to 2015. In that same time, the average length of stay for voucher holders grew from just under 1 year to over 6½ years.

Expanding the welfare State doesn't work. It's incumbent on Congress to craft policies that actually support families.

Today, we will hear from a witness who will provide an alternative view to expanding the welfare State. Howard Husock joins us from the American Enterprise Institute, and he will provide new ideas for helping families graduate from HUD assisted programs. Key among them: we need not assume that the only way to reduce poverty is to grow housing programs, and Government support does not always lead to better outcomes.

Before I end my remarks, I want to repeat that I welcome and encourage bipartisan compromise on major housing legislation. As an example, my principles for housing finance reform lay the important groundwork for a bipartisan solution to an as-of-yet unresolved problem. I still hope we can have bipartisan hearings to discuss legislative improvements.

We need to dispel the myth that more spending without reform helps families. I welcome a discussion of novel ideas to advance affordable housing. I want to hear new suggestions for helping families succeed and am eager to advance legislation that promotes those ideas.

PREPARED STATEMENT OF LISA MENSAH

PRESIDENT AND CEO, OPPORTUNITY FINANCE NETWORK

JUNE 24, 2021

Thank you for holding this hearing entitled "Examining Bipartisan Bills To Increase Access to Housing". My name is Lisa Mensah, President and CEO of the Opportunity Finance Network (OFN). I am pleased to be here today to testify about how community development financial institutions (CDFIs) can drive major new investments in rural and tribal housing, and how CDFIs can contribute to the rebuilding of our Nation's infrastructure.

OFN is a national network of CDFIs: mission-driven community development banks, credit unions, loan funds, and venture capital funds investing in opportunities that benefit low-wealth communities across America. For nearly 40 years, CDFIs have provided responsible, affordable capital where it is needed most: CDFI customers are 84 percent low-income, 60 percent people of color, 50 percent women and 26 percent rural. In FY2019, CDFIs in our network financed $7.9 billion in loans, including roughly $2.2 billion in loans that supported rural communities. [1]

Nationwide, the more than 1,200 CDFIs certified by the U.S. Treasury Department's CDFI Fund manage more than $222 billion. CDFIs are experienced housing lenders with deep expertise reaching low wealth markets. In fiscal year (FY) 2019,

[1] Opportunity Finance Network, "Impact Performance", *https://ofn.org/impactperformance.*

certified CDFIs made more than 600,000 housing loans totaling more than $56 billion.[2] CDFIs have cumulatively developed or rehabilitated more than 2.1 million housing units. With cumulative net charge-off rates of less than 1 percent, CDFIs lend prudently and productively in markets underestimated by mainstream banks.[3] CDFIs are specialized lenders who can reach deep into communities and provide services that are tailored to each market across the country.

This is a unique moment with the opportunity to commit to addressing the Nation's housing issues and to tend to the problems that we have left unaddressed for too long. The COVID–19 pandemic has exacerbated existing problems in affordable housing and now is the time to invest and go deeper into the communities across the country that have faced decades of underinvestment.

The United States has an insufficient stock of affordable housing and the stock that does exist is aging and in need of repair. We must also be good stewards of the investments that have already been made. In 2016, the U.S. Department of Agriculture (USDA) estimated the 20-year capital needs of the USDA multifamily portfolio were $5.6 billion.[4] A 2010 HUD-sponsored assessment of the Nation's public housing capital needs determined that approximately $21 billion was needed for unmet maintenance and repairs, and that the overall public housing stock is aging, with 51 percent of public housing units having completed their last construction before 1975.[5] Completing these repairs not only preserves the investment already made into affordable housing and improves the quality of life for residents of these properties but will also make the buildings more energy efficient and reduce future utility costs.

CDFIs are the adaptable partners the Federal Government needs to address the wide range of housing issues unique to each community. The rural, urban, and Native communities where CDFIs work need a local approach to meet their needs. CDFIs have decades of on-the-ground experience working on the full spectrum of housing issues, from constructing affordable rental housing, to renovating outdated housing stock and making properties more energy efficient, to construction of senior housing, to providing mortgages, technical assistance, and facilitating downpayment assistance on the path to home ownership. CDFIs already work with a variety of public and private resources. Existing programs at Treasury, the Department of Agriculture, the Department of Housing and Urban Development and throughout the Federal Government need new investment to address the scale of the problem. CDFIs need a strong partnership with the Federal Government to continue to meet the moment and serve their communities.

Housing Challenges Facing Rural and Tribal Communities

Rural America—home to about 20 percent of the U.S. population and covering more than 90 percent of the U.S. landmass—is diverse economically and demographically.[6] Rural America is not a monolith, and its housing needs vary in different communities. In some rural communities, outmigration and population loss are key drivers of the housing challenges, while other rural communities have experienced rapid growth and changes to the labor markets that have increased demand for affordable housing. Many rural communities are also located in "areas of persistent poverty"—defined as communities with a poverty rate of greater than 20 percent for three decades in a row. According to Partners for Rural Transformation, of the 395 persistent poverty counties in the U.S., eight out of ten are nonmetro and the majority (60 percent) of people living in persistent poverty counties are people of color.[7]

Aging housing stock puts pressure on the supply of both single and multifamily affordable housing. According to the National Low Income Housing Coalition, nearly 30 percent of rural households experience at least one major housing problem, such as high cost, physical deficiencies, or overcrowding. These problems are found

[2] Opportunity Finance Network, "2019 CDFI Fund Annual Certification Reporting Database", Accessed November 19, 2020.

[3] Opportunity Finance Network, "Impact Performance", *https://ofn.org/impact-performance.*

[4] USDA, "USDA Rural Development Multi-Family Housing Comprehensive Assessment", March 1, 2016, *https://www.rd.usda.gov/sites/default/files/USDA-RD-CPAMFH.pdf.*

[5] Urban Institute, "The Future of Public Housing", Benny Doctor and Martha Galvez, October 21, 2019, *https://www.urban.org/sites/default/files/publication/101482/the20future20of20public20housing20public20housing20fact20sheet-0.pdf.*

[6] U.S. Census Bureau, "Measuring America: Our Changing Landscape", December 16, 2016, *https://www.census.gov/newsroom/press-releases/2016/cb16-210.html.*

[7] Partners for Rural Transformation, "Transforming Persistent Poverty in America: How Community Development Financial Institutions Drive Economic Opportunity", March 2020. *https://www.ruraltransformation.org/wp-content/uploads/2020/03/Transforming-Persistent-Poverty-in-America-Policy-Paper-PRT-FINAL.pdf.*

throughout rural America but are particularly pervasive among several geographic areas and populations, such as the Lower Mississippi Delta, the southern Black Belt, the colonias along the U.S.–Mexico border, Central Appalachia, and among Native Americans and farm workers. [8]

Below are some key issues impacting access to affordable housing in rural markets:

- Housing cost increases outstrip income growth. While housing costs are still relatively low in some rural markets, there are some communities where increased housing costs coupled with stagnant income growth is creating an affordability crisis. For example, in the Rio Grande Valley where OFN member "Come dream, Come build" (Cdcb) works, housing prices increased as they have throughout Texas. During the 10-year period from 2011 to 2020, the median sales price in the Brownsville-Harlingen MSA increased 70.8 percent, from $101,300 to $173,000. However, rising home prices in Brownsville-Harlingen have far outpaced the modest growth in incomes. Median income in 2019 was $37,900, less than three-fifths of the statewide median income of $64,800, making this community one of the least affordable in the State. [9]
- Housing quality and aging housing stock. Nowhere are the challenges to the Nation's aging housing stock more prevalent than in rural communities. In too many rural communities, housing lacks adequate plumbing and kitchen facilities as well as facing conditions of overcrowding. The adequate housing that does exist is often unaffordable because rural incomes are below the national median income. [10]
- Limited home ownership opportunities for rural communities of color. For the millions of people of color living in rural America, access to home ownership is also an issue of racial equity. There are more than 2,000 rural and small-town census tracts where racial and ethnic minorities make up the majority of the population—many who experience limited access to home ownership opportunities due to lending practices and housing policies that historically excluded rural people of color. [11]
- Increased housing cost burdens. Nearly one-fourth of the Nation's most rural counties have seen a sizeable increase this decade in the number of severely cost-burdened households—defined as spending at least half their income on housing. [12] The National Low Income Housing Coalition found that 47 percent of rural renters are cost burdened—spending more than 30 percent of their income for their housing—with nearly half of that group being severely cost burdened. [13] These housing cost burdens highlight the shortage in affordable rental and home ownership units for low-income populations and the pandemic has exacerbated this issue.
- Expiring affordability provisions. Many loans for rural multifamily properties financed through USDA programs are reaching maturity. USDA estimates that the pace of mortgage maturities will increase starting in 2028. USDA projects that more than 16,000 rental homes will be lost each year between 2028 and 2032, and 22,000 homes will be lost annually in the following years. [14] When USDA loans reach maturity, property owners are no longer required to meet affordability standards; many may convert their properties to market-rate housing or stop operating the property altogether. This will result in a significant reduction in the available affordable housing stock in rural communities. Compounding the issue, low-income tenants are no longer eligible for USDA

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[8] Housing Assistance Council, Leslie R. Strauss, "USDA Rural Rental Housing Programs", *https://nlihc.org/sites/default/files/AG-2021/04-15-USDA-Rural-Rental-Housing-Programs.pdf.*

[9] Come dream, Come build, "The Myth of Affordability in the RGV: Homeownership Fact Sheet", March 3, 2021. *https://img1.wsimg.com/blobby/go/28825c06-7c1e-41eb-8bf1-b2e39c412309/Myth%20of%20Affordability%20Homeownership%20fact%20sheet.pdf.*

[10] Come dream, Come build, "The Myth of Affordability in the RGV: Homeownership Fact Sheet", March 3, 2021. *https://img1.wsimg.com/blobby/go/28825c06-7c1e-41eb-8bf1-b2e39c412309/Myth%20of%20Affordability%20Homeownership%20fact%20sheet.pdf.*

[11] Housing Assistance Council, "Rural America Is More Diverse Than You Think", *https://ruralhome.org/rural-america-is-more-diverse-than-you-think/.*

[12] Housing Assistance Council, "Rental Affordability Crisis Continues", February 6, 2020, *https://ruralhome.org/rental-affordability-crisis-continues/.*

[13] Housing Assistance Council, Leslie R. Strauss, "USDA Rural Rental Housing Programs", *https://nlihc.org/sites/default/files/AG-2021/04-15-USDA-Rural-Rental-Housing-Programs.pdf.*

[14] National Low Income Housing Coalition, "Housing Needs in Rural America", *https://nlihc.org/sites/default/files/Housing-Needs-in-Rural-America.pdf.*

rural rental assistance once the loan matures. A lack of available rental units and limited access to home ownership opportunities will intensify existing housing cost burdens for rural families.

- Limited access to smaller dollar mortgages. While there are rural markets where housing costs have increased significantly, there are still markets where home prices are relatively low and borrowers, especially first-time homebuyers, need access to smaller balance loans that are not typically financed by traditional lenders. Accessing small dollar mortgage lending continues to be challenging because of the limited availability of mortgages under $100,000. The Urban Institute found that "only one in four low-cost homes sold was likely to be financed with a mortgage. In 2019, 26.7 percent of home sales nationwide were for homes priced below $100,000. Of those, only 23.2 percent were purchased with a mortgage, compared with 73.5 percent of homes priced at or above $100,000." [15]

Housing Challenges in Tribal Communities

Tribal communities experience many of the same housing issues facing other rural communities but also have unique obstacles. In rural America, racial and ethnic minority groups are more likely to live in substandard housing than White residents. For instance, the rate of housing without basic plumbing on rural tribal lands is up to 10 times the average national rate. [16] According to Prosperity Now, the home ownership rate for Native American households is around 54 percent, while the rate for White households is 72.1 percent. [17] A study from the Federal Reserve Bank of Minneapolis' Center for Indian Country Development found that Native households often face higher mortgage costs when seeking to buy a home, especially when those loans are made on reservation lands. [18] One of the major challenges to increasing Native home ownership is access to affordable mortgages.

According to a 2017 study commissioned by the Department of Housing and Urban Development, lenders report that prepurchase counseling, particularly counseling provided by organizations familiar with the unique challenges of lending on tribal trust land, is critical to getting borrowers mortgage ready. CDFIs exemplify this unique approach by combining technical assistance with access to capital. In the same study, lenders reported that lending on tribal trust land can be complicated and time-consuming and specifically recommended working with CDFIs, Tribes, and lenders that already have a presence in the community. [19]

CDFIs Provide Access to Capital in Rural Communities

Addressing the access to capital issues in rural communities requires on-the-ground partners like CDFIs that understand the local markets and can develop targeted solutions. Data from the CDFI Fund shows that CDFI lending in rural markets has grown from $358 million in FY2005 to more than $2.8 billion in financing closed in FY2019. [20]

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[15] Linna Zhu, "Making FHA Small-Dollar Mortgages More Accessible Could Make Homeownership More Equitable", Urban Institute Blog, April 22, 2021. *https://www.urban.org/urban-wire/making-fha-small-dollar-mortgages-more-accessible-could-make-homeownership-more-equitable.*

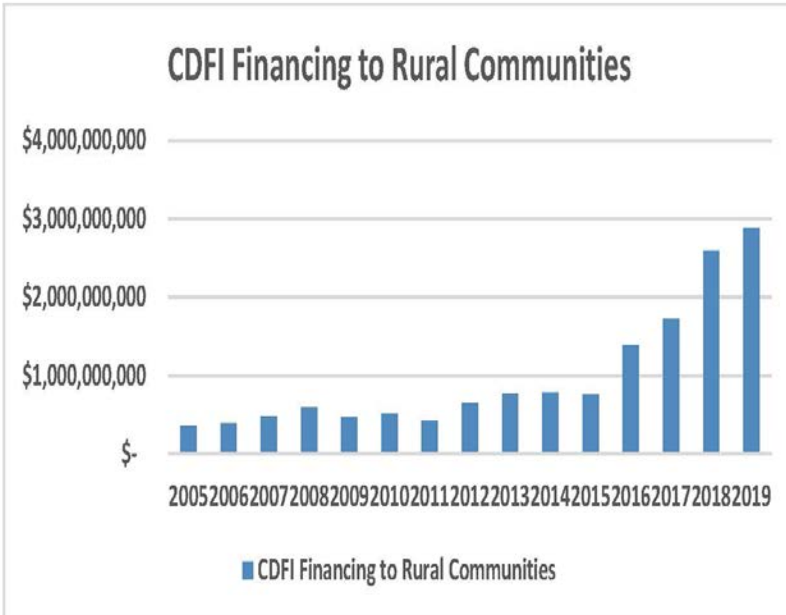
[16] Housing Assistance Council, "Taking Stock: Rural People, Poverty, and Housing in the 21st Century", December 2012. *http://www.ruraldataportal.org/docs/HAC-Taking-Stock-Full.pdf#page=55.*

[17] "Prosperity Now, Scorecard Homeownership & Housing", *https://scorecard.prosperitynow.org/data-by-issue#housing/outcome/homeownership-rate.*

[18] Federal Reserve Bank of Minneapolis, "The Higher Price of Mortgage Financing for Native Americans", Donna Feir and Laura Cattaneo, September 27, 2019, *https://www.minneapolisfed.org/news-releases/2019//link.aspx?-id=3A72BEC46859433BAA0CACAB5084ABD3&-z=z.*

[19] "Mortgage Lending on Tribal Land: A Report From the Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs", January 2017, *https://www.huduser.gov/portal/sites/default/files/pdf/NAHSG-Lending.pdf.*

[20] Transaction Level Reporting (TLR) data from the CDFI Fund. This data reflects the data reported only by CDFIs that are Financial Assistance awardees within their 3-year reporting cycle.



CDFIs play a vital role in America's housing finance system. Below are examples of CDFIs providing innovative and tailored solutions to address their communities housing challenges and meet the needs of local borrowers:

- FAHE, a network of affordable housing lenders based in Berea, Kentucky, and working throughout Appalachia, launched the MicroMortgage Marketplace pilot project in 2020. The pilot, in partnership with the Homeownership Council of America (HCA) and the Urban Institute provides small-dollar mortgages under $100,000 in Louisville and parts of Southern Indiana. The program also offers underwriting flexibility, simplifies the loan process, and reduces many of the fees and costs in the process. Fahe is underwriting, funding, and servicing the loans through the MicroMortgage Marketplace while HCA will manage product development, market testing and capital partnerships, and create distribution channels that can scale across the country.
- Come Dream, Come Build (cdcb), based in Brownsville, Texas, provided relief to their borrowers impacted by the COVID–19 pandemic and also administered the City of Brownsville's pandemic housing assistance programs. In 2020, cdcb continued to increase access to affordable home ownership, providing 73 households with smaller dollar mortgages with a median home sales price of $104,000.[21]
- HOPE Credit Union based in Jackson, Mississippi and working throughout the Delta region has financed the development of affordable housing throughout the region. Mortgage lending is a key component of HOPE's strategy to close the racial wealth gap in the Deep South. Over the last 10 years, HOPE's mortgage portfolio almost quadrupled from nearly $34 million in 2010 to $127 million at the end of 2020. In 2020, 86 percent of HOPE's mortgages were made to people of color, primarily Black borrowers, and 83 percent were made to first time homebuyers. HOPE employs tailored solutions to meet the credit needs of bor-

[21] Come dream, Come build, "Myths of Affordability in the RGV", March 3 2021, *https://img1.wsimg.com/blobby/go/28825c06-7c1e-41eb-8bf1-b2e39c412309/Myth%20of%20Affordability%20Homeownership%20fact%20sheet.pdf.*

rowers including manually underwriting loans, considering nontraditional indicators of credit repayment history, and discounting deferred student debt. [22]

- Oweesta, based in Longmont, Colorado, is a Native intermediary lender. One Oweesta member, Four Directions Development Corporation is a Maine-based CDFI serving the Passamaquoddy Tribe, Penobscot Nation, Houlton Band of Maliseets, Aroostook Band of Micmac, and any enrolled Native American from a federally recognized tribe in Maine. This CDFI helps tribal members purchase, improve, and access equity from on reservation residential properties. Four Directions works to provide credit counseling and is uniquely suited to working on tribal lands and navigating the process of working with the Bureau of Indian Affairs.
- Southern Mutual Financial Services Over the past 50 years, Southern Mutual Help Association (SMHA) and the subsidiary CDFI, Southern Mutual Financial Services have developed 1,421 new or renovated affordable homes in rural Louisiana. SMHA's work in affordable housing has generated over $454.1 million in local income and an additional $67.5 million in State and local tax revenue. SMHA has invested nearly $19.4 million in affordable mortgage and business loans directly to Louisiana families, $16.5 million of which was made possible through working with private partners like IBERIABANK, reaching an additional 214 families.

Building Strong, Vibrant Communities—Housing as Infrastructure

Housing is an essential element of infrastructure and is the starting point for the built environment. Affordable housing is a long-term investment that is needed to help support American families and revitalize communities. Investing in housing helps families achieve self-sufficiency and generates economic growth. The National Association of Home Builders estimates that, for every single-family home constructed, 2.90 jobs are created and $129,647 in taxes are generated. Building an average rental apartment is estimated to generate 1.25 jobs and $55,909 in tax revenue. [23]

Housing is the key link between all other infrastructure investments. The availability and condition of housing stock has just as significant of an impact on a community as the condition of its roads and bridges. The availability of affordable housing near jobs reduces the strain on transportation infrastructure. The need for additional investment is clear, America is facing a significant housing shortage.

Leveraging Federal Resources to Finance Rural Housing

The Federal Government is a critical partner in ensuring access to safe quality housing options in rural communities. Access to capital is a challenge for many of the lenders working to address affordability and supply issues in rural housing markets. Rural CDFIs receive less capital from Community Reinvestment Act-motivated banks. In 2019, only 34 cents of every dollar borrowed by rural CDFIs was from a bank. In contrast, over 60 percent of borrowed funds from urban CDFIs were supplied by banks. [24] Adding to the challenge, philanthropic resources are often less available in rural markets. From 2010–2014, grant making in Appalachia, the Mississippi Delta, and the Rio Grande Valley was around $50 per person—well behind the national average of $451 and $4,096 in San Francisco. [25]

Federal investment to support housing in rural areas lags investment in urban communities. Programs that provide grants, loans, credit enhancements like those at USDA are a critical lifeline to finance affordable housing in rural communities but are inadequately funded. These programs are oversubscribed and highly competitive and must be expanded to meet the growing demand. Additionally, investing in programs and proven solutions that build the capacity of CDFIs will increase the development and preservation of affordable housing in rural communities and across the country.

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[22] HOPE, Comment Letter to the Bureau of Consumer Financial Protection, May 10, 2021, *http://hopepolicy.org/manage/wp-content/uploads/2021.5.10-HOPE-CFPB-Regulation-X-Comment.pdf.*

[23] National Association of Home Builders, "National Impact of Home Building and Remodeling: Updated Estimates", 2020, *https://www.nahbclassic.org/generic.aspx?sectionID=734&genericContentID=272642.*

[24] OFN data.

[25] Partners for Rural Transformation, "Transforming Persistent Poverty in America: How Community Development Financial Institutions Drive Economic Opportunity", November, 2019, *https://fahe.org/wp-content/uploads/Policy-Paper-PRT-FINAL-11-14-19.pdf.*

Policy Recommendations

The following are OFN recommendations to increase access to affordable housing in rural and tribal communities:

- Provide $1 billion in annual appropriations for the CDFI Fund. The Federal Government put a downpayment on the CDFI industry in H.R.133. More investments at this scale are needed. An annual appropriation of $1 billion for the CDFI Fund is critical to strengthening CDFIs to continue assisting in the long-term recovery of low-wealth communities. To truly achieve an inclusive recovery, the Federal Government must increase the supply of capital to CDFIs, mission based responsible lenders that are adept at channeling those resources into distressed communities. This investment will also broaden the reach and impact of the Federal Government's investments and help expand access to credit and safe, affordable lending in underserved rural communities.
- Pass The Native American Rural Homeownership Improvement Act. USDA's Section 502 Direct Loan Program is an important source of mortgage financing for low- and very low-income families living in rural communities, and the program could help address the relatively low home ownership rates in rural Native communities. USDA currently operates a pilot program in South and North Dakota, where the Department has partnered with two Native CDFIs to leverage their deep ties in local communities and deploy Section 502 loans to eligible Native borrowers.

This bill would expand this pilot program and create a national relending program within the Section 502 Direct Loan Program to help deploy these mortgage loans in Native communities. Specifically, the relending program would create a $50 million annual set-aside within the Section 502 program, allowing Native CDFIs to relend this money to eligible Native homebuyers. Because of CDFIs' vast experience operating on Tribal land and their ability to provide financial and homebuyer education, their participation will improve utilization of the USDA loans and help more Native families achieve the dream of home ownership.

- Pass the Improving FHA Support for Small Dollar Mortgages Act of 2021. Limited access to small dollar mortgages is putting affordable home ownership opportunities out of reach for many borrowers, especially first-time homebuyers, borrowers in rural communities and borrowers of color. OFN supports the creation of a study of Federal Housing Administration lending to understand how HUD could better reduce barriers to home ownership.
- Pass the American Jobs Plan. The American Jobs Plan includes several housing provisions, including the bipartisan Neighborhood Homes Investment Act (NHIA). Offering $20 billion worth of NHIA tax credits over a 5-year period is expected to result in over 500,000 homes built or rehabilitated,[26] creating a pathway for more families to buy a home and start building wealth. No other Federal tax incentive addresses the problem of development costs that exceed market values for owner-occupied homes in distressed neighborhoods, a common problem in smaller cities and rural areas.

OFN also supports expanding the Capital Magnet Fund (CMF) to provide $12 billion over the next 5 years. CMF is incredibly efficient. CMF awardees have leveraged $18.6 billion over the past five rounds of funding, over three times the requirement. Completed projects funded through CMF awards have created 28,100 affordable units, including 4,500 home ownership units.[27] The CMF has supported a wide variety of housing, including senior housing. OFN member New West Community Capital, formerly Idaho–Nevada CDFI, leveraged their CMF award to help build the 55-unit River Place Senior Apartments in Sparks, Nevada.[28]

The infrastructure bill must also include significant funding to address the capital backlog for maintenance of existing housing. The $300 million included in the AJP is a good starting place but is insufficient to meet the current need. OFN supports increasing the funding levels across various rural housing programs, including $700 million in Section 515 Rental Housing Loans, $1.4 billion in Multifamily Housing Revitalization and $2.1 billion in Rental Assistance.

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[26] American Jobs Plan Fact Sheet *https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/.*

[27] CDFI Fund FY2020 CMF Award Book *https://www.cdfifund.gov/sites/cdfi/files/2021-04/FY-2020-CMF-Award-Book—022221.pdf.*

[28] CDFI Fund Impact Story, *https://www.cdfifund.gov/sites/cdfi/files/documents/revised-nevada-idaho-cdfi-cmf-impact-story-042717.pdf.*

Finally, the AJP includes the creation of a Community Revitalization Fund at the Department of Housing and Urban Development to support the financing of assets that complement affordable housing, such as health care clinics, parks, workforce development, or other essential human services. The program should leverage the expertise of CDFIs and partner with them to administer the funding.

- Increase technical assistance and capacity building for rural mission lenders. The Federal Government should invest in building the capacity of local affordable housing and community development organizations deeply rooted in rural places. With existing Federal programs oversubscribed and fewer philanthropic and bank resources flowing to rural communities, the Federal Government should provide funding for technical assistance to build the capacity of rural mission lenders.
- Increase funding for USDA Rural Housing Programs. Low-cost, long-term financing to support both home ownership and rental housing is not readily available from other sources. Congress should increase funding for Federal affordable housing programs serving rural populations. According to the National Low Income Housing Coalition, funding for USDA's Section 515 Rural Rental Housing Loan Program has been cut by more than 95 percent over the past few decades, limiting the ability of rural communities to attract private-sector capital and other Federal resources. Despite the growing need in rural America, there has been no new construction of rural rental homes under the Section 515 program since 2012. [29]
- Preserve affordability on properties with expiring mortgages. There is a brewing crisis of affordability for thousands of rural multifamily properties with expiring Federal subsidies. USDA rental assistance subsidies should be decoupled from Rural Development loan programs to continue to subsidize the housing after the loans are repaid. There is a precedent for this: the Government Accountability Office noted that when the Department of Housing and Urban Development (HUD) faced a similar loss of affordable housing subsidies, Congress authorized the department in 2011 to continue providing rental assistance at properties after contracts expired. [30]
- Allow Government sponsored enterprises (GSE) equity investments in CDFIs. Many CDFIs still lack access to the capital markets supported by the housing finance system. In part because of this lack of access, CDFI housing lenders experience liquidity challenges that inclusion in more mainstream sources of housing finance could help solve. Allowing Fannie Mae and Freddie Mac to make direct equity or equity-like investments in CDFIs will enable CDFIs to manage risk and their balance sheets more effectively. These flexible investments would provide much needed liquidity to support the specialized lending done by CDFIs and support training and technical assistance needed to build the capacity of lenders working in difficult-to-serve markets.
- Support and expand affordable housing tax credits The low-income housing tax credit (LIHTC) has proved to be a valuable tool to help finance affordable housing construction The bipartisan Affordable Housing Credit Improvement Act (AHCIA) of 2021, would expand and strengthen LIHTC, our Nation's primary tool for developing and preserving affordable housing. Passing the AHCIA could result in the financing of over an additional 2 million affordable homes in the next decade, support the creation of nearly 3 million jobs, and generate more than $346 billion in wages and business income and nearly $120 billion in additional tax revenue.

The AHCIA would increase LIHTC allocations by 50 percent over current levels for the 9 percent credit. This allocation increase will be phased in over 2 years, provide a basis boost to help LIHTC better serve hard-to-reach communities including rural, Native American, and high-poverty areas. It would simplify and align rules, and enable States to maximize affordable housing production and preservation by lowering the threshold of Private Activity Bond financing required to trigger the maximum amount of 4 percent Housing Credits.

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[29] *https://nlihc.org/sites/default/files/AG-2021/04-15-USDA-Rural-Rental-Housing-Programs.pdf*

[30] Government Accountability Office "Rural Housing Service Better Data Controls, Planning, and Additional Options Could Help Preserve Affordable Rental Units", Report to the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies, Committee on Appropriations, U.S. Senate, May 2018. *https://www.gao.gov/assets/gao-18-285.pdf*

- Allow CDFIs to pledge nonhousing collateral for Federal Home Loan Bank advances. Allowing CDFIs to make better use of FHLB membership would enable nondepository CDFIs to leverage their existing portfolio to make more loans. A 2015 GAO report, Federal Home Loan Banks: Collateral Requirements Discourage Some Community Development Financial Institutions from Seeking Membership, noted that collateral restrictions discouraged some nondepository CDFIs from seeking membership. Under current law, CDFIs can only pledge long-term home mortgage loans of at least 5 years.

Thank you for the opportunity to speak with you today. I look forward to your questions and to continuing to work with you to address our significant affordable housing challenges.

PREPARED STATEMENT OF NAN ROMAN

PRESIDENT AND CEO, NATIONAL ALLIANCE TO END HOMELESSNESS

JUNE 24, 2021

Chairman Brown, Ranking Member Toomey, and Members of the Committee, thank you for inviting me to testify before you today. I am Nan Roman, President and CEO of the National Alliance to End Homelessness (the Alliance). I am honored that you have invited the Alliance to testify before you on Bipartisan Bills that Increase Access to Housing.

The National Alliance to End Homelessness is a nonpartisan, nonprofit organization committed to preventing and ending homelessness in the United States. It was founded in 1983 by a group of national leaders from both parties, deeply disturbed by the appearance of thousands of Americans living on the streets of our Nation. In its early years it focused on meeting the emergency and service needs of this emerging population. Soon, however, as it became apparent that emergency measures would not solve the problem, we turned our attention to more permanent solutions. Today, the bipartisan Alliance Board of Directors and our thousands of nonprofit, faith-based, private and public sector partners across the country devote ourselves to the affordable housing, access to services, and livable incomes that will end homelessness.

Thank you for inviting the Alliance to appear before the Committee to discuss where we stand in the effort to end homelessness, what remains to be done, and the role of Congress in achieving the goal.

Homelessness

The Nation is experiencing a homelessness crisis that appears to have been exacerbated by the COVID pandemic. While homelessness decreased between 2007 and 2016, it increased slightly every year between 2016 and 2020. The Point in Time count that takes place in January (and is the only enumeration that includes people who are unsheltered as well as sheltered) was not fully conducted in 2021 due to the pandemic. As a result, it is not clear where the size of the population now stands. However, the Alliance surveyed all of the Nation's Continuums of Care (CoCs) several times during the pandemic, and respondents reported the following: the number of shelter beds significantly decreased as shelters followed CDC guidance to "decompress;" though many people from shelters and unsheltered locations were placed in motel/hotel rooms for quarantine and isolation, fewer beds were gained through this strategy than were lost through decompression; and most CoCs believe that unsheltered homelessness has increased. Many jurisdictions are now closing their motel/hotel rooms, which will increase the demand for shelter beds even more. Even prior to the pandemic, as reported in the most recent Annual Homelessness Assessment Report to Congress (AHAR Part 1, 2020), for the first time ever there were more unsheltered individual adults than sheltered individual adults.[1]

As a result of these factors, it is our belief that unsheltered homelessness has likely increased, and it is possible that overall homelessness has increased. However, it is also important to note that some jurisdictions have managed to avoid these increases, and the problem would be much worse were it not for Federal stimulus funds.

While overall and unsheltered homelessness appear to be up, the numbers are down for certain subpopulations. The 2020 AHAR Part 1 shows a slight decrease in families, veterans, and youth. Further, both through our CoC surveys and in anecdotal evidence from the field, it appears that the number of families with children

[1] Adults on their own not with family members.

that are homeless has decreased significantly during the pandemic. This could be a result of families staying doubled up with friends and family due to reluctance to enter congregate facilities during the pandemic.

Also, on the subject of subpopulations, it will be important to address two key demographic groups moving forward. The first is youth. Widespread homelessness in the modern era first emerged in the early 1980s, largely as a result of the developing deficit of low-income affordable housing. But also contributing was a sizable cohort of youth and young adults who failed to attach to the job market due to the recessions of the late 1970s/early 1980s, and who became homeless as a result. This was the largest group of people experiencing homelessness at the time, and remains a large group today. There is a similarly disproportionate cohort of young people now—young people whose educations have been interrupted, and who may have failed to graduate from high school. While the fears of a major recession post-COVID may have diminished, there are still concerns about how people with less than a college education will fit into the job market—including this youth cohort. We could face a new wave of homelessness moving forward. The second issue is the aging of the homeless population. Work by Dr. Dennis Culhane at the University of Pennsylvania and others has revealed that: (1) the homeless population ages much faster physiologically than chronologically and in effect becomes senior at age 50 or 55, not 65; (2) the homeless system is not prepared to deal with an aging population; and (3) without housing the health costs of this group are significantly high. Moving this cohort into housing would generate significant public savings, not to mention saving people's lives.

It should also be noted that while fears of a recession may have diminished, concerns about a rental housing crisis have increased. The end of the eviction moratorium and a likely increase in evictions, as well as the pricing out of first time homeowners from the market and the resulting pressure on the rental market, will make it harder for extremely low income households to find housing.

Given all of these issues, what can and should be done to reduce homelessness in our Nation? Homelessness is driven by the mismatch between what people earn and what housing costs. Lack of affordable housing causes homelessness, and, notwithstanding any other problems they may have, people who have a home are not homeless. This is not to say that people experiencing homelessness do not have other problems or that they do not require services. Many do. People with disabilities including mental illness, substance use disorders, physical disabilities, and illnesses are more likely to be poor and therefore unable to afford housing. People with criminal justice or foster care histories are more likely to struggle to find and afford housing, and therefore to become homeless. People of color who have been subjected to historical and systemic housing discrimination, inferior health and behavioral health care, lack of access to good hospitals and schools, who are paid less, have fewer savings, and have weaker support networks, are also more likely to become homeless. Housing is not the only problem. But it also must be said that the vast majority of people in these categories are NOT homeless—they are housed. It is the affordability of housing that drives homelessness.

Fundamentally, what needs to be done to end homelessness in our Nation is to increase the supply of housing that is affordable to lower income people, or to increase people's wages so that they can afford the housing that is available. Many people will definitely need services, and we will have to address the racial disproportionality and disparities that result in so many people of color becoming homeless. But the problem will not be solved unless the cost of housing puts it within reach of the millions of low income households that cannot afford it today.

An Opportunity

This is where we stand on homelessness, but we also have a very significant opportunity at the moment to make a serious dent in the problem.

The pandemic has taught us some things about the importance of housing. We have learned that you cannot quarantine if you do not have a home. We have learned that housing is, indeed, a social determinant of health. We have learned that millions of Americans who have a home live paycheck-to-paycheck, and that any crisis could create housing instability and cause them to lose that home.

The stimulus funds provide a significant opportunity to reduce the number of people experiencing homelessness. These funds will not solve the problem entirely. But I believe they could reduce it. And I believe that the types of funds that have been provided are the right resources to get many people experiencing homelessness into housing.

We are grateful for the $4 billion that Congress and the White House provided in the CARES Act to fund services and housing for people experiencing homelessness. We are grateful for the $5 billion for Emergency Housing Vouchers that ensure that up to 70,000 households can obtain and afford a permanent place to live—ending their homelessness. We are grateful for the $5 billion in HOME funds that will allow jurisdictions to take advantage of the unusual confluence of available hotel, motel, commercial, and retail stock that can be quickly and affordably converted to housing targeted to people experiencing homelessness. We are grateful for the Emergency Rental Assistance and other prevention funds that will help ensure that a new generation of homelessness does not emerge from this pandemic. These resources may not be sufficient to end homelessness, but there is a real opportunity to take a U-turn, from 5 years of increases in homelessness, to a steady decrease—if these resources are used strategically.

And I would be remiss if I did not say that if we were to provide every low income household who needed one with a housing voucher, and to take measures to increase the supply of affordable housing to meet the demand, this would, at a minimum, end homelessness. And ending homelessness would eliminate the economic costs, the social costs, and the human costs of allowing more than half-a-million people to be homeless every night in one of the wealthiest and most compassionate Nations in the world.

I hope we will move in this direction, which will allow our Nation and its citizens to thrive. And Congress has given us considerable tools, as I have said, in the stimulus bills. Several other critical proposals are on the table that would also help, and the Alliance supports them and urges their passage.

- Senators Van Hollen and Young's bipartisan Family Stability and Opportunity Vouchers Act would expand the supply of housing vouchers to 500,000 additional families; 100,000 new vouchers every year for 5 years. The vouchers would be targeted to pregnant people or families with a child under six who are homeless, unstably housed, living in an area of concentrated poverty, or at risk of having to leave an area of opportunity. Services would help the families locate in high opportunity communities if they so choose.
- The Choice in Affordable Housing Act is also a bipartisan bill, just introduced by Senators Cramer and Coons. It would help to improve the Section 8 program by reducing burdensome bureaucratic guidance, and by providing $500 million to incentivize landlords to participate in rental assistance programs. I can share that the homelessness system has learned quite a bit about how important it is to have tools that incentivize landlords when seeking rental units in tight rental markets and for high-need households. Since the onset of Housing First approaches, and as a result of the adoption of Rapid Re-Housing for people who are likely to get back on their feet with shorter term assistance, we have learned how to be more competitive for the housing that is available. Among the strategies that have been successful in convincing landlords to rent to homeless households have been: relationship building with landlords and landlord groups; reserving multiple units from one landlord or group; increasing the size of the security deposit; acting as a third party the landlord can call for help in addressing problems with any tenant who has been referred; and assisting to ease the eviction of a referred tenant and providing a suitable replacement tenant in order to avoid vacancy. This bill would provide the hard-to-find flexible funding that is needed for such strategies.
- Senators Schatz and Young also have a bipartisan bill to reduce "Not in My Back Yard," or NIMBY, activities. These are policies and processes that delay or prevent the development or creation of affordable housing. Their bipartisan "YES in My Back Yard," or YIMBY, Act would discourage the use of discriminatory land use policies and remove barriers to making housing more affordable. Jurisdictions that receive Community Development Block Grant Funds would have to report on their efforts to make it easier for affordable housing to be developed, including loosening restrictions in areas zoned single family, reducing minimum lot sizes, streamlining or shortening permitting processes, and eliminating or reducing off street parking requirements. These steps would help jurisdictions use Federal resources to increase the supply of affordable housing more quickly.
- Senators Brown and Blunt have proposed the Trafficking Survivors Housing Act of 2021. Homelessness is, sadly, too often intertwined with human trafficking. People who are homeless are vulnerable to being trafficked. People who have been trafficked are vulnerable to becoming homeless. Stable housing is essential in protecting people from trafficking and helping them recover from it. This important bill would task the U.S. Interagency Council on Homelessness (USICH) to examine what different Federal agencies can and should do to eliminate the link between homelessness and trafficking. I should mention as well that USICH has been an incredibly valuable partner in bringing Federal agencies to-

gether to solve problems of homelessness—an issue that does not fit neatly beneath any single agency's umbrella, given its housing, health, education, employment, and other ramifications. USICH has done a terrific job, in both Republican and Democrat Administrations, of bringing Federal agencies together in the partnerships that are so essential to solving human problems. For this reason, we are also grateful to Senator Reed for his bill that would permanently authorize USICH.

- We strongly supported Senators Bennet and Portman's bipartisan Eviction Crisis Act of last session, and given that communities now have extensive experience with emergency rental assistance, we urge that it be introduced again and funded to scale. Anything that reduces evictions helps to reduce homelessness. Often people are able to afford their rents but are living paycheck-to-paycheck. If something interrupts their income—their car breaks down, or a child is sick and they cannot go to work—they cannot pay the rent and are threatened with eviction and sometimes homelessness. This of course has enormous human costs to those who experience it, and can also be very costly to public systems if the household does not quickly get back on its feet. This bill provides such flexible assistance, among many other helpful provisions that would reduce evictions.
- And finally, Senator Young has a bipartisan bill to create a Task Force on the Impact of the Affordable Housing Crisis. This important bill would create a bipartisan Task Force to evaluate and quantify the impact of housing on other Government programs and costs, and to make recommendations to Congress on how to better address the affordable housing crisis so as to improve life outcomes for all residents of our Nation.

All of these bills would help ensure safe and stable housing for American's most vulnerable households, including those experiencing homelessness. We urge their passage.

In closing, as the gap between what housing costs and how much low income people earn continues to grow, homelessness will continue to grow. This will be exacerbated by the difficulty people have accessing mental health treatment, substance use treatment, disability support and other services. Moving forward, the significant youth and young adult, and older adult age cohorts also have the potential, if not addressed, to increase homelessness, as do ongoing racial disproportionality and disparities. We can re-house homeless people faster, and indeed the homeless system is doing that. But the number of homeless people keeps going up because more and more people are falling into homelessness for the reasons above.

Homelessness is not a problem that the homeless system can solve alone. The homeless system is like an emergency room. It receives people who are in crisis, and can patch them up a bit. But just as the emergency room is not the solution to the Nation's health problems, the homeless system, alone, is not the solution to the Nation's homelessness problem. The solution is an adequate supply of affordable housing, and access to services for those who need them. And as hard as the homeless system works, that emergency room does not have enough beds for everyone. Four out of every ten people who become homeless are unsheltered.

What would solve this problem? It would be solved by vouchers and an increased affordable housing supply, along with better access to services for those who need them. At the end of the day, people who are housed are not homeless, despite any other issues they may have.

We have substantial housing resources on the table right now, and if we use them strategically, we can reduce homelessness significantly. I am convinced of that. But we will not end it. We really must address the affordable housing crisis if we are to solve the problem of homelessness.

Thank you for inviting the Alliance to speak before you today, and for your efforts on behalf of the Nation.

PREPARED STATEMENT OF HOWARD HUSOCK

ADJUNCT SCHOLAR, AMERICAN ENTERPRISE INSTITUTE

JUNE 24, 2021

Greetings. Thank you, Chairman Brown and Ranking Member Toomey. I appreciate the opportunity to testify on the legislation being considered by the committee. It is an honor to submit my testimony and answer questions for today's hearing. I will specifically address those proposals related to the expansion of the housing choice voucher program and the proposed terms of the Community Development Block Grants (CDBG).

My name is Howard Husock, and I am an adjunct scholar at the American Enterprise Institute, where I focus on local government, civil society, and urban housing policy. Before joining AEI, I was vice president for research and publications at the Manhattan Institute and director of case studies in public policy and management at the Harvard Kennedy School. I am the author of *America's Trillion-Dollar Housing Mistake: The Failure of American Housing Policy* and a forthcoming book, *The Poor Side of Town-and Why We Need One*. I have spent my career committed to thinking and writing about housing policy and its implications, particularly for the urban poor.

My forthcoming book argues for a "poor side of town." It combines a critique of more than a century of housing reform policies, including public and other subsidized housing and exclusionary zoning, with the idea that simple low-cost housing—a poor side of town—helps those of modest means build financial assets and join in the local democratic process. This is a deeply important book to me, and I encourage everyone listening today to consider its implications.

Too many low-income households find it difficult to afford housing. Before considering a major expansion of the housing choice voucher program, we should make the existing program more effective. What's more, the past year has seen unprecedented spending on Federal housing initiatives. The American Rescue Plan expanded the housing voucher program by allocating $5 billion dollars for 70,000 housing vouchers, referred to by Secretary Fudge as a "once in a generation investment."[1] In the two most recent COVID relief packages, over $46.5 billion has been spent on emergency rental assistance, which rivals the annual HUD budget. As Jason DeParle of the *New York Times* has documented, the rental assistance aid has been mired in both political and practical problem in its distribution leaving renters and rental property owners in limbo.[2] Another $300 billion dollars (which includes tax credits) in "housing infrastructure" has been proposed by the Biden administration, much of it that has little to do with incentivizing upward mobility or emphasizing the transitional natures of these programs.[3] This all to say that our current focus should be on making sure the money in pandemic housing assistance is distributed as effectively as possible. Commonsense adjustments can increase the voucher program's reach without major new spending while, crucially, providing incentives and encouragement for low-income households to improve their economic status.

Fundamentally, low-income households face an income problem. Providing a coupon that can be used only for rental assistance limits how they can use this new income while failing to address the root causes of why that income is low in the first place. We cannot forget the steps it takes to truly encourage economic mobility of poor households—by providing the skills training needed for the 21st century, ensuring that every child has access to a high-quality public education, encouraging safe and healthy communities, and reducing racial barriers.

But we can and should make some commonsense adjustments to the current housing choice voucher program. We should not assume that poverty is a life sentence in America. That suggests that we better allocate vouchers by seeing them as a transitional program. That leads me to two proposals.

First, the time has come to allow voucher households to sign the same type of rental leases as nonsubsidized households enjoy: a flat rent for a fixed period. As it stands, as voucher or public housing tenants earn more income, they pay more rent—34 cents on each new dollar. This has all sorts of ill effects: discouraging those who would seek a higher-paying job, the formation of two-income families, and savings.

To make better use of our housing vouchers, we should follow the example of the Housing Authority of the State of Delaware, which as part of its Moving to Work program combines capped rent and savings account escrows with a 5-year ceiling on assistance.[4] A similar program has been adopted by the housing authority of San

[1] U.S. Department of Housing and Urban Development, "HUD Announces $500 Billion Dollars To House People Experiencing Homelessness", press release, May 17, 2021, *https://www.hud.gov/press/press-releases-media-advisories/HUD-No-21-087.*

[2] Jason DeParle, "Federal Aid to Renters Moves Slowly, Leaving Many at Risk", *New York Times*, April 25, 2021, *https://www.nytimes.com/2021/04/25/us/politics/rental-assistance-pandemic.html.*

[3] The White House, "Fact Sheet: The American Jobs Plan Will Produce, Preserve, and Retrofit More Than 2 Million Affordable Housing Units and Create Good-Paying Jobs", May 26, 2021, *https://www.whitehouse.gov/briefing-room/statements-releases/2021/05/26/fact-sheet-the-american-jobs-plan-will-produce-preserve-and-retrofit-more-than-2-million-affordable-housing-units-and-create-good-paying-jobs/.*

[4] Delaware State Housing Authority, "What Is Moving to Work?", *https://laborfiles.delaware.gov/main/det/one-stop/MTW%20Program.pdf.*

Bernardino, California, which specifically sets out as a key goal the encouragement of tenants' economic independence, including what it calls a shift from "entitlement to empowerment." Longitudinal studies out of San Bernardino reports the following positive results.

We have seen positive outcomes since implementation, including:

- Earned income for families in the program increases by an average 31.4 percent during their 5-year term of assistance;
- Full-time employment increased by 20 percent;
- Unemployment decreased by 26.5 percent.[5]

This healthy turnover should be a core part of the voucher program. Poverty should not be viewed as inevitable and forever. Indeed, as matters stand, the U.S. Department of Housing and Urban Development (HUD) reports an 8 percent turnover rate annually among voucher units. In years past, that rate has reached as high as 15 percent.[6] Steps to increase turnover while improving the situation of voucher households should be key goals of the program. A transition to work and increased income is today, more than ever, a practical goal, as the Nation enjoys widespread labor shortages.

Second, we should resist expanding the program and be cautious in giving priority to low-income single parents, as is suggested. It is understandable that we seek to respond to need. But we must take care not to foster need by sending a signal that low-income single parenthood will qualify one for a subsidized rental—which is, in most jurisdictions, a lifetime eligibility. The life chances of those born to single mothers in poverty are such that this is not a choice we should inadvertently encourage. Indeed, a time-limited program for young married couple might be a better option.

The proposal to link Federal CDBG assistance to the encouragement of affordable housing is, on one level, an understandable response to the inflexible zoning found in too many municipalities. But there are several reasons not to adopt this approach and to proceed with caution.

The idea that there is a "missing middle" in our housing supply is rapidly gaining adherents, as officials respond to concerns that young adults cannot afford to live in the towns where they grew up and public servants cannot afford to live in the towns they serve. Cities, such as Minneapolis, and States, such as Oregon, are already beginning to move away from strict large-lot single-family zoning. States like California have seen the proliferation of the YIMBY ("yes in my backyard") movement, which has successfully sought to make the economic case for loosening restrictive zoning to increase housing supply in the State's most high-cost cities.

A one-size-fits-all Washington review of local zoning risks stifling this creative change. Woodrow Wilson, a Democratic president, observed that, in the United States, localities are not governed; they govern themselves. This historic tradition brings with it democratic accountability. And perhaps most importantly, CDBG eligible communities are largely those already providing a great deal of affordable housing.

As Jenny Schuetz of the Brookings Institute wrote in 2018 about then-Secretary Ben Carson's proposed rule revision to make receipt of HUD funds, particularly from the CDBG program, contingent on local zoning reform, "HUD's interest in persuading local governments to reform exclusionary zoning is admirable. But withholding CDBG would not be an effective mechanism, because exclusionary communities receive very little CDBG funding."[7]

A better approach embraces the spirit of localism and adaptability of American municipalities and acknowledges the growing success of State-level movements to increase housing supply. HUD may want to provide useful models and technical assistance to zoning officials, rather than subjecting them to costly review.

I appreciate this opportunity to present my views. Thank you very much, and I look forward to your questions.

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[5] Housing Authority of the County of San Bernardino, "2021 Moving to Work Annual Plan", May 22, 2020, *https://14icnrm1xwspvm3t3c7830p2-wpengine.netdna-ssl.com/wp-content/uploads/2020/08/2021-mtw-annual-plan-05.22.20-for-public-comment.pdf.*

[6] U.S. Department of Housing and Urban Development, Office of Policy and Research, "Assisted Housing: National and Local", *https://www.huduser.gov/portal/datasets/assthsg.html#2009-2020-data.*

[7] Jenny Schuetz, "HUD Can't Fix Exclusionary Zoning by Withholding CDBG Funds", Brookings Institution, October 15, 2018, *https://www.brookings.edu/research/hud-cant-fix-exclusionary-zoning-by-withholding-cdbg-funds/.*

RESPONSES TO WRITTEN QUESTIONS OF SENATOR TESTER FROM LISA MENSAH

Q.1. *Improving FHA Support for Small-Dollar Mortgages Act*—There are many challenges in Montana related to the availability and affordability of homes, especially with home prices going up 57.5 percent in the last decade. But there are still many areas of my home State where the average price of a home sold is below or near $100,000. I'm very concerned that folks trying to buy those homes may struggle to access a mortgage, which is why I have been working to address barriers to home ownership for these families, including improving the availability and timeliness of appraisals in rural areas, and it's why Senator Lummis and I introduced the Improving FHA Support for Small-Dollar Mortgages Act. Why is it so important for folks to be able to have access, and what do you see causing some of these problems?

A.1. Access to affordable home ownership is part of OFN's commitment to affordable, responsible financial products and is crucial work of the CDFI industry. Home ownership is key to building wealth, and significant gaps remain in the market. CDFIs are experienced housing lenders committed to closing that gap with deep expertise reaching low wealth markets. In fiscal year (FY) 2019, certified CDFIs made more than 600,000 housing loans totaling more than $56 billion. CDFIs have cumulatively developed or rehabilitated more than 2.1 million housing units.

Limited access to small dollar mortgages continues to put affordable home ownership opportunities out of reach for many borrowers, especially first-time homebuyers, borrowers in rural communities and borrowers of color. OFN Members have developed products and services to better serve this market, including:

- FAHE, a network of affordable housing lenders based in Berea, Kentucky, and working throughout Appalachia, launched the MicroMortgage Marketplace pilot project in 2020. The pilot, in partnership with the Homeownership Council of America (HCA) and the Urban Institute provides small-dollar mortgages under $100,000 in Louisville and parts of Southern Indiana.
- Come dream, Come build (cdcb), based in Brownsville, Texas provided relief to their borrowers impacted by the COVID–19 pandemic and also administered the City of Brownsville's pandemic housing assistance programs. In 2020, cdcb continued to increase access to affordable home ownership, providing 73 households with smaller dollar mortgages with a median home sales price of $104,000.
- HOPE Credit Union, based in Jackson, Mississippi, and working throughout the Delta region, has financed the development of affordable housing throughout the region. Mortgage lending is a key component of HOPE's strategy to close the racial wealth gap in the Deep South. Over the last 10 years, HOPE's mortgage portfolio almost quadrupled from nearly $34 million in 2010 to $127 million at the end of 2020. In 2020, 86 percent of HOPE's mortgages were made to people of color, primarily Black borrowers, and 83 percent were made to first time homebuyers.

- Oweesta, based in Longmont, Colorado, is a Native intermediary lender. One Oweesta member, Four Directions Development Corporation, is a Maine-based CDFI serving the Passamaquoddy Tribe, Penobscot Nation, Houlton Band of Maliseets, Aroostook Band of Micmac, and any enrolled Native American from a federally recognized tribe in Maine. This CDFI helps tribal members purchase, improve, and access equity from on reservation residential properties. Four Directions works to provide credit counseling and is uniquely suited to working on tribal lands and navigating the process of working with the Bureau of Indian Affairs.
- Southern Mutual Financial Services Over the past 50 years, Southern Mutual Help Association (SMHA) and the subsidiary CDFI, Southern Mutual Financial Services have developed 1,421 new or renovated affordable homes in rural Louisiana. SMHA's work in affordable housing has generated over $454.1 million in local income and an additional $67.5 million in State and local tax revenue. SMHA has invested nearly $19.4 million in affordable mortgage and business loans directly to Louisiana families, $16.5 million of *[No more information provided.—Ed.]*

In addition to a $1 billion appropriation for the Community Development Financial Institutions Fund in FY22 that would bolster CDFI efforts such as these, OFN supports the creation of a study of Federal Housing Administration lending to understand how the Department of Housing and Urban Development could better reduce barriers to home ownership.

Q.2. *Access to Housing*—What are the greatest challenges that you see in your communities to access and affordability of housing?

A.2. Rural America—home to about 20 percent of the U.S. population and covering more than 90 percent of the U.S. landmass—is diverse economically and demographically. Rural America is not a monolith, and its housing needs vary in different communities. In some rural communities, outmigration and population loss are key drivers of the housing challenges, while other rural communities have experienced rapid growth and changes to the labor markets that have increased demand for affordable housing. Many rural communities are also located in "areas of persistent poverty"—defined as communities with a poverty rate of greater than 20 percent for three decades in a row. According to Partners for Rural Transformation, of the 395 persistent poverty counties in the U.S., eight out of ten are nonmetro and the majority (60 percent) of people living in persistent poverty counties are people of color. Aging housing stock puts pressure on the supply of both single and multifamily affordable housing. According to the National Low Income Housing Coalition, nearly 30 percent of rural households experience at least one major housing problem, such as high cost, physical deficiencies, or overcrowding.

Below are some key issues impacting access to affordable housing in rural markets:

- Housing cost increases outstrip income growth. While housing costs are still relatively low in some rural markets, there are some communities where increased housing costs coupled with stagnant income growth is creating an affordability crisis.

- Housing quality and aging housing stock. Nowhere are the challenges to the Nation's aging housing stock more prevalent than in rural communities. In too many rural communities, housing lacks adequate plumbing and kitchen facilities as well as facing conditions of overcrowding. The adequate housing that does exist is often unaffordable because rural incomes are below the national median income.
- Limited home ownership opportunities for rural communities of color. For the millions of people of color living in rural America, access to home ownership is also an issue of racial equity. There are more than 2,000 rural and small-town census tracts where racial and ethnic minorities make up the majority of the population—many who experience limited access to home ownership opportunities due to lending practices and housing policies that historically excluded rural people of color.
- Increased housing cost burdens. Nearly one-fourth of the Nation's most rural counties have seen a sizeable increase this decade in the number of severely cost-burdened households—defined as spending at least half their income on housing. The National Low Income Housing Coalition found that 47 percent of rural renters are cost burdened—spending more than 30 percent of their income for their housing—with nearly half of that group being severely cost burdened. These housing cost burdens highlight the shortage in affordable rental and home ownership units for low-income populations and the pandemic has exacerbated this issue.

Q.3. Where are there gaps in resources from Federal programs?

A.3. Federal investment to support housing in rural areas lags investment in urban communities. Programs that provide grants, loans, credit enhancements, like those at USDA, are a critical lifeline to finance affordable housing in rural communities but are inadequately funded. These programs are oversubscribed and highly competitive and must be expanded to meet the growing demand.

The key resource for CDFIs, the Community Development Financial Institutions Fund in the Department of the Treasury, is also consistently oversubscribed. In the most recent funding round, applicants requested three times the available funding. A robust Federal appropriation of $1 billion for the CDFI Fund in FY22 would help alleviate the demand for these resources.

Q.4. *Leveraging Investments*—There are significant housing needs all across the country, and it is clear that the Federal Government needs to be doing more to address these challenges. But we are not going to be able to spend our way out of this problem all on our own—public–private partnerships will be critical to fixing this shortage, and we already have a number of examples of successful Federal programs.

How can partnerships leveraging Federal dollars improve the availability and affordability of housing?

A.4. Community Development Financial Institutions demonstrate the potential of public–private partnerships. As private-sector institutions, they leverage Federal resources to extend capital and credit to help people and communities underserved by mainstream finance join the economic mainstream. In addition to direct support to the CDFI Fund, CDFIs can improve the availability and affordability of housing with improved access to Federal lending and guarantee programs. Opportunity Finance Network strongly supports CDFI access to lending programs across the Federal Government. CDFIs have proven that they are effective stewards of Federal resources and sound lenders that pose minimal risk to investors, including the Federal Government. Data demonstrates the success, safety, and soundness of CDFIs.

For example, data shows that OFN membership, which includes mostly nondepository CDFIs, have low loan loss rates—a cumulative 0.79 percent from 1999–2018 that outperformed the 0.92 percent loan loss rate of FDIC-insured institutions in that same time. OFN data also indicates a 1.34 percent delinquency rate greater than 90 days among OFN members in 2018. CDFIs have been and can continue to be effective partners in relending and direct loan programs to improve home ownership, including the Federal Home Loan Bank System and the pilot under USDA's 502 Relending Program. OFN applauds expansion of this model.

Q.5. *Housing in Tribal Communities*—We are not doing enough to address the dire lack of housing for many Indigenous communities.

What do you see as the most important programs and investments to address these challenges?

Where are there areas we need to be doing more? Or new, innovative programs and ideas we could be using?

A.5. Native American CDFIs are a critical resource for expanding financial services in Native American communities, including supporting home ownership in those markets. The CDFI Fund's Native American CDFI Assistance (NACA) Program provides capacity-building and financial assistance resources to institutions serving Native Americans, Alaska Natives, and/or Native Hawaiian communities. This is the CDFI Fund's only program that funds sponsoring organizations in the very early stages of forming CDFIs, leveraging Federal resources to build CDFIs in Native communities, as well as supporting Native-serving CDFIs of all sizes and stages of development. A robust Federal appropriation of $1 billion for the CDFI Fund in FY22 will strengthen the growing network of CDFIs serving Native communities, including providing home ownership opportunities for Native American home buyers.

In addition, OFN strongly supports the passage of the Native American Rural Homeownership Improvement Act (S.2092). The bill would extend the incredibly successful pilot program nationwide which would allow Native CDFIs to make these loans to their target markets across the country.

Native American homebuyers would be assisted by many of the Federal resources that OFN supports to increase access to affordable housing in rural and tribal communities:

- Pass the Improving FHA Support for Small Dollar Mortgages Act of 2021. Limited access to small dollar mortgages is putting affordable home ownership opportunities out of reach for many borrowers, especially first-time homebuyers, borrowers in rural communities and borrowers of color. OFN supports the creation of a study of Federal Housing Administration lending to understand how HUD could better reduce barriers to home ownership.

- Pass the American Jobs Plan. The American Jobs Plan includes several housing provisions, including the bipartisan Neighborhood Homes Investment Act (NHIA). Offering $20 billion worth of NHIA tax credits over a 5-year period is expected to result in over 500,000 homes built or rehabilitated, creating a pathway for more families to buy a home and start building wealth.
- Increase technical assistance and capacity building for rural mission lenders. The Federal Government should invest in building the capacity of local affordable housing and community development organizations deeply rooted in rural places. With existing Federal programs oversubscribed and fewer philanthropic and bank resources flowing to rural communities, the Federal Government should provide funding for technical assistance to build the capacity of rural mission lenders.
- Increase funding for USDA Rural Housing Programs. Low-cost, long-term financing to support both home ownership and rental housing is not readily available from other sources. Congress should increase funding for Federal affordable housing programs serving rural populations.
- Allow Government sponsored enterprises (GSE) equity investments in CDFIs. Many CDFIs still lack access to the capital markets supported by the housing finance system. In part because of this lack of access, CDFI housing lenders experience liquidity challenges that inclusion in more mainstream sources of housing finance could help solve. Allowing Fannie Mae and Freddie Mac to make direct equity or equity-like investments in CDFIs will enable CDFIs to manage risk and their balance sheets more effectively. These flexible investments would provide much needed liquidity to support the specialized lending done by CDFIs and support training and technical assistance needed to build the capacity of lenders working in difficult-to-serve markets, including native American homebuyers.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR CORTEZ MASTO FROM LISA MENSAH

Q.1. How is Opportunity Finance Network addressing the disparate coverage of CDFIs across the country?

A.1. Opportunity Finance Network strongly supports resources that build capacity of CDFIs, both new and existing, to enter and serve new markets. We pioneered the CDFI Coverage Map to help the industry see, understand, and improve upon the distribution of its lending and investing activities. Our own lending and investment programs, including the Finance Justice Fund and Grow with Google, focus on “going deeper” to reach smaller CDFIs and increase CDFI coverage across the Nation.

Two key items on our advocacy agenda that would address the disparity in coverage include strong support for the Community Development Financial Institutions Fund and reform to the Community Reinvestment Act.

The Community Development Financial Institutions Fund has taken steps to build the national coverage of CDFIs including:

- A longstanding, statutory Technical Assistance (TA) grant program, aimed at building the capacity of emerging CDFIs to strengthen their organization and financial ability to serve their markets. Technical assistance funds can be used by emerging CDFIs that target areas not well-served by existing CDFIs.
- Similarly, the Small and Emerging CDFI Assistance component of the Fund's Financial Assistance (FA) program provides younger, smaller CDFIs—those more likely to be in markets new to CDFIs—with specialized opportunities for support.
- The Persistent Poverty Counties (PPC) set aside provides strong CDFIs of all sizes and maturity with resources to target counties suffering deep and persistent poverty.
- The Fund's Native American CDFI Assistance (NACA) Program provides capacity-building and financial assistance resources to institutions serving Native Americans, Alaska Natives, and/or Native Hawaiian communities. This is the CDFI Fund's only program that funds sponsoring organizations in the very early stages of forming CDFIs, leveraging Federal resources to build CDFIs in Native communities.

Robust support for the Community Development Financial Institutions Fund is the best way to increase coverage of CDFIs across the county. Congress must support at least $1 billion in CDFI Fund grants in the FY22 Appropriations bill.

The Community Reinvestment Act (CRA) has been a critical tool to extend the financial services system into underserved markets. However, its impact has been uneven across the Nation. Longitudinal data from the past dozen years illustrates the painful gap between bank investment in CDFIs serving rural markets compared to bank investment in CDFIs serving urban markets.

For rural CDFIs, capital borrowed from banks in 2018 comprised 31 percent of total borrowed funds. For urban CDFIs, capital borrowed from banks comprised 52 percent of total borrowed funds. OFN's comments to the Federal regulators considering reform to the CRA highlighted a number of improvements that would improve the distribution of CRA investment, particularly in supporting CDFIs in rural areas.

Q.2. With regards to the Native American Homeownership Improvement Act, is the tribal CDFI now serving North and South Dakotas able to offer mortgages to tribes in other communities? Or are other tribal CDFIs able to provide mortgages to other communities?

A.2. The current pilot program is authorized only in North and South Dakota. With the passage of the Native American Rural Homeownership Improvement Act (S.2092) the program would be extended nationwide which would allow Native CDFIs to make these loans to their target markets across the country. OFN strongly supports this bipartisan bill.

Q.3. I appreciate Opportunity Finance Network's support of a pending bill I'm leading, which would enable Treasury-certified nondepository CDFIs to pledge non-housing collateral to gain advances from a Federal Home Loan Bank.

Can you speak to how many CDFIs are members of Federal Home Loan Banks?

A.3. As of December 31, 2020, 64 CDFIs were members of the Federal Home Loan Bank System.

Q.4. How has membership in a FHLBank benefited CDFIs?

A.4. Since the Housing and Economic Reform Act (HERA) provided CDFIs the opportunity to become members of the Federal Home Loan Bank System, CDFI FHLB members have gained access to long-term funding, which allowed more high-impact loans to be made to creditworthy borrowers in underserved communities. Since the beginning of this partnership, FHLBs have seen enormous growth in CDFI memberships. According to FHFA's 2018 Report on Low-Income Housing and Community Development Activities of the Federal Home Loan Banks, CDFI membership has grown almost 4.6 times since 2011. The report also shares that annual FHLB advances to CDFIs have grown from $59 million in 2013 to $221.5 million in 2018. FHLBs recognize the value CDFIs provide in not only serving low to moderate-income communities but helping achieve their mission of "supporting housing finance and community investment." Additionally, several FHLBs, including the FHLB of New York, remain active in trying to recruit more CDFI members. CDFIs have also been able to utilize grants from the Affordable Housing Program (AHP) to make high impact loans in distressed communities.

Q.5. How would including small business, small agriculture and community development loans as collateral help CDFIs?

A.5. Opportunity Finance Network appreciates Senator Cortez Masto's support of legislation to improve CDFIs' capacity to access and use Federal Home Loan Bank System advances. Allowing CDFIs to make better use of FHLB membership would enable nondepository CDFIs to leverage their existing portfolio to make more loans. A 2015 GAO report, "Federal Home Loan Banks: Collateral Requirements Discourage Some Community Development Financial Institutions From Seeking Membership", noted that collateral restrictions discouraged some nondepository CDFIs from seeking membership. Under current law, CDFIs can only pledge long-term home mortgage loans of at least 5 years. A change in collateral requirements would likely incent additional CDFIs to seek membership, as well as enabling additional loans to be pledged from those CDFIs that are already members, allowing them to make more loans in underserved communities. As noted above, CDFIs use FHLB membership and advances to increase their lending in low-income and low-wealth communities.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR SINEMA FROM LISA MENSAH

Q.1. What solutions should Congress be considering to address the supply chain challenges that make building materials for new housing stock unavailable or excessively expensive?

A.1. CDFIs fill an important role in housing affordability. They are experts in dealing with challenges posed by economic disruption, including pandemic-related uncertainty in the supply chain. Using this experience in markets that other lenders cannot reach, CDFIs pull together capital stacks to make loans and investments in their communities. A $1 billion appropriation for the Community Development Financial Institutions Fund can help CDFIs and their communities better weather changes in the housing market.

Q.2. What tools, trainings, and resources are available to better prepare lenders to work with tribal communities in Arizona, particularly in navigating challenges associated with tribal trust land?

A.2. Native American CDFIs are a critical resource for expanding financial services in Native American communities, including supporting home ownership in those markets. The CDFI Fund's Native American CDFI Assistance (NACA) Program provides capacity-building and financial assistance resources to institutions serving Native Americans, Alaska Natives, and/or Native Hawaiian communities. This is the CDFI Fund's only program that funds sponsoring organizations in the very early stages of forming CDFIs, leveraging Federal resources to build CDFIs in Native communities, as well as supporting Native-serving CDFIs of all sizes and stages of development. As local institutions with deep roots in their communities, CDFIs have expertise in tackling the unique challenges of their markets, including issues related to tribal trust land.

A robust Federal appropriation of $1 billion for the CDFI Fund in FY22 will strengthen the growing network of CDFIs serving Native communities.

The Center for Indian County Development of the Federal Reserve Bank of Minneapolis provides a clearinghouse for research, tools and resources for both lenders and tribal governments working to improve access to capital in Native American communities. Their research found that Native American CDFIs were most successful in serving those communities. These findings reinforce the success of CDFIs' local market-driven, place-based model in serving their communities.

The Center provides resources for lenders and tribal governments partnering with financial institutions, including a Tribal Leaders Handbook on Homeownership and Reservation Profiles that include Home Mortgage Disclosure Act (HMDA) to help lenders understand market gaps.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR ROUNDS FROM LISA MENSAH

Q.1. Do you believe the 502 relending model could also be effective to improve the deployment of other Federal direct loan programs in partnership with Native CDFIs, including the Native American Direct Loan program for Native American veteran borrowers?

A.1. Yes, Opportunity Finance Network strongly supports CDFI access to lending and credit enhancement programs across the Federal Government. CDFIs have proven that they are effective stewards of Federal resources and sound lenders that pose minimal risk to investors, including the Federal Government. This success is why the 502 program has been extremely effective in bringing capital to the Native American communities in which the pilot is authorized. CDFIs are active participants in the Federal Home Loan Bank system, the U.S. Department of Agriculture Intermediary Relending Program, and the Small Business Administration 7(a) program, among others. CDFIs have been and will continue to be effective partners in relending and direct loan programs and OFN applauds expansion of this model.

Q.2. In addition to the Native American Rural Homeownership Improvement Act, what other financing opportunities should we consider to assist potential Native American home buyers that are struggling in their home ownership process?

A.2. Native American CDFIs are a critical resource for expanding financial services in Native American communities, including supporting home ownership in those markets. The CDFI Fund's Native American CDFI Assistance (NACA) Program provides capacity building and financial assistance resources to institutions serving Native Americans, Alaska Natives, and/or Native Hawaiian communities. This is the CDFI Fund's only program that also funds sponsoring organizations in the very early stages of forming CDFIs, leveraging Federal resources to build CDFIs in Native communities, as well as supporting Native-serving CDFIs of all sizes and stages of development. A robust Federal appropriation of $1 billion for the CDFI Fund in FY22 will strengthen the growing network of CDFIs serving Native communities, including providing home ownership opportunities for Native American home buyers.

Native American homebuyers would be assisted by many of the Federal resources that OFN supports to increase access to affordable housing in rural and tribal communities:

- Streamline the Section 184 Loan Guarantee program by ensuring tribally sponsored CDFIs are automatically eligible to be lenders after gaining Treasury certification.
- Pass the Improving FHA Support for Small Dollar Mortgages Act of 2021. Limited access to small dollar mortgages is putting affordable home ownership opportunities out of reach for many borrowers, especially first-time homebuyers, borrowers in rural communities and borrowers of color. OFN supports the creation of a study of Federal Housing Administration lending to understand how HUD could better reduce barriers to home ownership.
- Pass the American Jobs Plan. The American Jobs Plan includes several housing provisions, including the bipartisan Neighborhood Homes Investment Act (NHIA). Offering $20 billion worth of NHIA tax credits over a 5-year period is expected to result in over 500,000 homes built or rehabilitated, creating

a pathway for more families to buy a home and start building wealth.

- Increase technical assistance and capacity building for rural mission lenders. The Federal Government should invest in building the capacity of local affordable housing and community development organizations deeply rooted in rural places. With existing Federal programs oversubscribed and fewer philanthropic and bank resources flowing to rural communities, the Federal Government should provide funding for technical assistance to build the capacity of rural mission lenders.
- Increase funding for USDA Rural Housing Programs. Low-cost, long-term financing to support both home ownership and rental housing is not readily available from other sources. Congress should increase funding for Federal affordable housing programs serving rural populations.
- Allow Government sponsored enterprises (GSE) equity investments in CDFIs. Many CDFIs still lack access to the capital markets supported by the housing finance system. In part because of this lack of access, CDFI housing lenders experience liquidity challenges that inclusion in more mainstream sources of housing finance could help solve. Allowing Fannie Mae and Freddie Mac to make direct equity or equity-like investments in CDFIs will enable CDFIs to manage risk and their balance sheets more effectively. These flexible investments would provide much needed liquidity to support the specialized lending done by CDFIs and support training and technical assistance needed to build the capacity of lenders working in difficult-to-serve markets, including native American homebuyers.

RESPONSES TO WRITTEN QUESTIONS OF CHAIRMAN BROWN FROM NAN ROMAN

Q.1. I understand that HUD has initiated a study of alternative rent structures through the Moving to Work demonstration program. Are you aware of the status of that study?

A.1. With regard to the Moving to Work demonstration study, we are told that the second cohort will be studying both stepped and tiered rents as an alternative to the Brooke rent model. The ten agencies conducting the study have been selected and are in the pre-implementation stage of the study—on-boarding into the MTW program.

The Alliance recognizes that the Brooke rent model, limiting housing costs to 30 percent of the household's income, provides life-altering relief to people with extremely low incomes who are able to access these programs. We hope, of course, that the days where most eligible people do not receive the deep subsidies that HUD now has in its toolkit are nearing an end. As long as most eligible people receive no help from HUD's rent subsidy programs, however, it is important to gather more information about whether shallower forms of subsidy, that cost less money and could therefor reach more people with whatever sum is appropriated, achieve benefits that are worthwhile. I encourage the Committee to follow up with HUD about this research, and to help clear the way for findings to be discussed and evaluated.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR CORTEZ MASTO FROM NAN ROMAN

Q.1. Does the National Alliance to End Homelessness support a Federal law that would require all landlords accept income from VA benefits, SSDI, Social Security and vouchers? Such a law would ban discrimination based on source of income.

A.1. The Alliance supports such legislation. Reducing and ending homelessness will require significant federally funded rental assistance through various Federal programs for those most in need. If landlords can reject a tenant using such assistance simply on the basis of its source, those already disadvantaged in a housing market with insufficient supply will be even further discriminated against. Certainly, it will impede progress on ending homelessness.

Also, source of income discrimination can mask more invidious kinds of discrimination, such as those based on race, ethnicity, or gender, since people of color and women are more likely to be unemployed due to employment discrimination, and need to rely on these programs.

At the same time, it is important for housing authorities and others who run voucher programs to operate the programs in a manner that works for property owners, ensuring that owners understand the program, that tenants know their responsibilities, that inspections take place quickly, and that the rent is paid on time.

Q.2. Can you explain how a lack of stable housing for children and their parents makes people vulnerable to human trafficking and abuse?

A.2. For several reasons, homelessness and lack of stable housing make children and their parents vulnerable to human trafficking. People who experience homelessness are traumatized and desperate, making them vulnerable to traffickers' efforts to trick, lie to, or defraud them into situations they cannot then escape. They may also be more willing, out of desperation, to enter situations and work that is inhumane, illegal, or otherwise unacceptable.

Also important is that people of color are more likely to be homeless and trafficked because of historical and system racism, discrimination, and inequity that leave them more vulnerable to otherwise unacceptable life options. Permanent housing is a key part of any solution. For more on the connection of trafficking and homelessness, please see the blogpost on the Alliance's website, The Intersection of Human Trafficking and Homelessness, and the resources cited there.

Q.3. Senator Brown's bill, the Trafficking Survivors Housing Act (S. 2049), would require the Interagency Council on Homelessness publish a report on the needs of victims of human trafficking. Which Federal agencies do you think need to collaborate better to break the link between homelessness and human trafficking?

A.3. Key Federal agencies to address trafficking and homelessness are already part of the U.S. Interagency Council on Homelessness: the Departments of Housing and Urban Development; Health and

Human Services; Justice; and Labor; as well as the Domestic Policy Council. Each of these has responsibility for important parts of any solution, and the need to coordinate in that regard.

Q.4. What are some of the challenges that the Interagency Council on Homelessness needs to address now?

A.4. The U.S. Interagency Council on Homelessness, since it was overhauled during the early years of the George W. Bush administration, has been key to coordinating the Federal response to homelessness. The Council can only be as effective as its Federal agency members want it to be, and as it is resourced to be. It does not control agency budgets, so it must use its persuasive powers to advance best practices, new ideas, and outcomes. And it must make the most of the ability to coordinate strategies among the various agencies as no single Federal agency can end homelessness on its down. The Members of the Council itself must be committed to coordinating to end homelessness. The fact that Council is again made up of agency Secretaries is a tremendous boost.

Challenges moving forward include hiring a new Executive Director and filling vacant staff positions that were left unfilled in the previous Administration. Ensuring that the key agencies involved in ending homelessness are working together and have formal relationships to fund housing (HUD and VA) and services (HHS and VA) is a challenge. Also a challenge is enhancing the role of the Department of Labor in connecting people experiencing homelessness to employment. A critical challenge is how to address the fact that homelessness has been increasing since 2016, and that, tragically, unsheltered homelessness is also going up: this year for the first time ever, there were more unsheltered individuals than sheltered individuals. And finally, emerging challenges are how to address the aging of the homeless population, and a large youth cohort that may fail to attach to the labor market and become homeless post-COVID.

Q.5. What development incentives work best to build more homes for victims of human trafficking, low-income families, veterans and elderly individuals, people with disabilities and unaccompanied youth?

A.5. Making funding available is, of course, the first thing that is necessary. This includes not only capital funding for acquisition, construction, and rehabilitation; but also operating subsidies, usually through rental assistance. People with incomes that are low enough to make them vulnerable to homelessness can not afford to pay rent that will cover the ongoing operation of housing: utilities, maintenance, security, and other costs.

It would be helpful to have more formal relationships between HUD and HHS to ensure that services accompany housing, in particular for older adults and people with disabilities. At present developers may be less likely to build for these tenants because the services are not readily available to the them. Federal funding incentives that encourage jurisdictions to remove zoning, permitting, and approvals processes that slow down the development of affordable housing and raise its cost should also be considered.

Q.6. The design of the Family Stability and Opportunity Vouchers Act (S.1991) is to make awards competitively. Do competitive programs give greater access to communities that already have the resources to hire grant writers and have more matching funds? How can competitive programs ensure that funds reach communities that may have more need for affordable housing but less infrastructure to prepare and compete for grants?

A.6. Competitive programs can definitely favor communities with more resources, reinforcing historical and systemic racially discriminatory trends. The Alliance is strongly supportive of HUD's Continuum of Care (CoC) program, which is a competitive program. Some aspects of that program's success are relevant to this question. There is strong technical assistance for communities to help them achieve better outcomes, and thus perform better in the competitive environment (the CoC competition is based in good part on strategic use of funds and past performance). The CoC process also involves bringing a wide range of community partners to the table, all of which can contribute to better performance.

Every CoC is required to collect client level administrative data which allows it to objectively prove its outcomes, rather than having to have a professional grant-writer describe them.

Making eligible matching funds as flexible as possible and including public funds, can help even the playing field. In the CoC funding, other Federal funds count as a match, if homelessness is prioritized (unlike in many other Federal funding programs). This means that, for example, State policy makers can prioritize using Medicaid as part of coordinated work on homelessness, and achieve the same results in the competition as another, wealthier, community would achieve through its local tax base. Medicaid is, of course, one of the largest Federal programs, extremely important to constructing a comprehensive response to homelessness, and generally supplies more Federal funding to poorer States.

Simplifying the grant application process as much as possible is also helpful. To the greatest extent possible, criteria for awards should be based on concrete, objective indicators, rather than on the quality of prose in an application.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR ROUNDS FROM NAN ROMAN

Q.1. Do you believe the 502 relending model could also be effective to improve the deployment of other Federal direct loan programs in partnership with Native CDFIs, including the Native American Direct Loan program for Native American veteran borrowers?

A.1. The Alliance has generally found that even deeply subsidized home ownership models do not reach people whose incomes are so low that they are at risk of or experiencing homelessness. That being said, it is clear that reservations and other tribal lands can prove an exception. The Alliance would appreciate the opportunity to work with Senator Rounds and others to improve the overall housing situation for Native Americans, a group with one of the highest rates of homelessness.

Q.2. In addition to the Native American Rural Homeownership Improvement Act, what other financing opportunities should we consider to assist potential Native American home buyers that are struggling in their home ownership process?

A.2. As with most Federal housing programs, the programs are not funded to the scale necessary to solve the problem they are meant to address. Experience with the existing programs, we are told, indicates that they are well designed but underfunded. Again, the Alliance would be happy to work with the Senator and convene national partners to explore this issue further.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR ROUNDS FROM HOWARD HUSOCK

Q.1. Do you believe the 502 relending model could also be effective to improve the deployment of other Federal direct loan programs in partnership with Native CDFIs, including the Native American Direct Loan program for Native American veteran borrowers?

A.1. I am not qualified to provide a knowledgeable answer.

Q.2. In addition to the Native American Rural Homeownership Improvement Act, what other financing opportunities should we consider to assist potential Native American home buyers that are struggling in their home ownership process?

A.2. I am not qualified to provide a knowledgeable answer.