NCDA
WASHINGTON REPORT

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HAPPY HOLIDAYS!!!!

NCDA WINTER MEETING JANUARY 23-26, METRO CENTER MARRIOTT
NATIONAL COMMUNITY DEVELOPMENT WEEK FOR 2002 IS APRIL 1-7
NCDA 2002 ANNUAL CONFERENCE: JUNE 12-15, PROVIDENCE, RI

FEATURE ARTICLES

SENATE BANKING COMMITTEE HOLDS HEARING ON HOUSING AND COMMUNITY DEVELOPMENT NEEDS IN AMERICA

On December 13, HUD Secretary Mel Martinez appeared before the Senate Committee on Banking, Housing, and Urban Affairs for a hearing on housing and community development needs in America. Secretary Martinez responded to a number of questions and concerns from committee members, with affordable rental housing production, public housing and section 8, predatory lending, Real Estate Settlement Procedures Act (RESPA) reform, outcome measures, HUD's staff level at the Office of Multifamily Housing Assistance Restructuring, and HUD's position on homeless service provision emerging as key issues over the course of the hearing.

While not commenting on the forthcoming FY 2003 budget, Secretary Martinez told the committee that HUD will continue to focus on simplifying the homeownership process [Martinez has initiated an overhaul of the Real Estate Settlement Procedures Act]; predatory lending and property flipping [Martinez has worked with the City of Baltimore's Predatory Lending Task force to prevent such problems and hopes to duplicate this effort in other cities]; assisting the Colonias; working to continue stream-lining HUD's management structure and devolving more decision making to field offices; and finally, awaiting the recommendations of the Millennial Housing Commission [their report is expected to be issued at the end of May 2002] before pursuing any major program changes.

Several committee members told Martinez that there is a profound need for the production of affordable rental housing. This problem affects other areas, said Senator Reed (D-RI), telling Martinez and the audience gathered at the hearing that the lack of affordable rental housing continues to exacerbate other problems, such as home-lessness. Reed expressed concern that HUD needs to ensure that there is enough income from FHA premiums to provide sufficient FHA credit subsidy to ensure the continued production of affordable multifamily housing.

Several committee members brought up issues surrounding public housing and Section 8. Senator Corzine (D-NJ) and Senator Stabenow (D-MI) expressed frustration over the Administration's elimination of funding for the Public Housing Drug Elimination Program (PHDEP). Secretary Martinez told the committee that approximately $250 million of the $310 million formerly allocated to the program had been diverted to the Public Housing Operating Fund, where crime reduction and security are still eligible activities. The Secretary did not commit to providing funding for PHDEP in FY 2003, however.

On a separate issue, Senator Sarbanes (D-MD), Chair of the Committee, voiced concern over HUD's interpretation of the amount of unexpended funds in the Public Housing Capital Fund. Sarbanes told Martinez that he had recently requested the amount of unexpended PH Capital Funds that are beyond the statutory time frame (four years), but that HUD staff sent him all of the PH Capital Fund projects with unexpended funds. He is concerned that HUD is wrongly interpreting the amount of unexpended funds and wants to see a correct list. Martinez told him that one would be forthcoming. A dramatic moment occurred when Chairman Sarbanes asked Secretary Martinez whether he was aware that HUD had issued letters directing Public Housing Authorities to stop reissuing turnover rental certificates. Secretary Martinez stated that he was unaware of such a practice and did not believe it was occurring. Chairman Sarbanes then produced a copy of one such letter. Secretary Martinez stated that a mix-up must have occurred and that he would investigate it. This exchange occurred shortly after Secretary Martinez had encouraged the Committee to provide HUD with expanded authority to reallocate recaptured Section 8 vouchers.

Secretary Martinez pointed to the ongoing RESPA review and reform process as a vehicle for addressing several Committee members' concerns over high home-ownership costs and predatory lending practices. Specifically, the Secretary referred to the RESPA review in response to Senator Phil Gramm's (R-TX) concern over the high cost of title insurance and Senator Debbie Stabenow's and Senator Charles Schumer's (D-NY) concerns regarding predatory lending. Gramm told Martinez that one way to reduce homebuyer costs by one-fourth to one-third is to reduce the cost of title insurance. Senator Gramm said that the title insurance requirement "cries out for action" because it is costless to the lender but makes home ownership significantly less affordable for potential buyers. Senators Stabenow and Schumer wanted to know what HUD was doing to address the predatory lending practice of "good faith estimates" and to combat predatory lending strategies employed by smaller lenders, respectively. Martinez told the committee that the Real Estate Settlement Procedures Act is being re-worked to streamline settlement costs and provide more accurate information to homebuyers.

Senator Allard (R-CO) focused his concern on the need for HUD to continue to implement the Government Performance and Results Act (GPRA), which emphasizes outcome measurements and program effectiveness. Senator Allard asked Martinez if HUD's FY 2003 budget will reflect outcome based results management. Martinez told him that it would, in some areas [he cited Youthbuild as a program that needs to be looked at for results-oriented goals]. Martinez also told Allard that he is looking at possibly combining some program areas once he completes his current review of all of the 350 programs at HUD.

Another hot button issue for Chairman Sarbanes was that of the loss of staff at the Office of Multifamily Housing Assistance Restructuring (OMHAR). Sarbanes told Martinez that OMHAR has re-structured 1,200 multifamily projects, resulting in the preservation of 75,000 units of affordable housing. He told Martinez that Assistant Secretary Weicher told the Committee at a June 19 hearing that HUD was committed to maintaining staff at OMHAR. Apparently, this has not been the case as OMHAR has lost several key staff people, and the office is not being allowed to replace them. Sarbanes fears that this loss of staff will slow the pace by which future deals are restructured, and thus, slow the progress in preserving affordable housing units. He told Martinez that he has asked GAO to investigate the loss of staff at OMHAR. In replying to the senator's concern, Martinez told Sarbanes that although "several highly paid consultants" have left OMHAR, there is not a crisis at OMAR; that deals are not grinding to a halt; and that he continues to be committed to the office.

Finally, Chairman Sarbanes voiced concern over what he perceives as the "ascendancy of dogma" within HUD. The Chairman expressed his hope that HUD, under Secretary Martinez's leadership, would not ignore supportive services for homeless programs in order to focus solely on bricks and mortar activities. Sarbanes voiced his concern over HUD's position to focus more of its resources on permanent housing for the homeless and have the Department of Health and Human Services pay for more of the supportive services for the homeless. Sarbanes told the Secretary that supportive services are crucial to assisting the homelessness. Martinez replied that it is not his intent for HUD's homeless programs to be relieved of funding supportive services, but he does want other federal agencies with supportive services funding to also provide their resources. Secretary Martinez asserted that given finite funds HUD should focus on providing those services that fall outside other Department's missions.

In earlier remarks, Sarbanes told the committee and the audience that he will hold more hearings on HUD's housing and community development needs in the coming months.

REPRESENTATIVE BARNEY FRANK MEETS WITH NATIONAL INTEREST GROUPS

Rep. Barney Frank (D-MA) convened a meeting on December 13, with NCDA and several other national interest groups, including the National Association of Local Housing Finance Agencies, National Council of State Housing Agencies, Council of State Community Development Agencies, National Association of Housing and Redevelopment Officials, Enterprise Foundation, Local Initiatives Support Corporation, and many others. Due to the very short notice of the meeting, many part-icipants came into it not knowing what to expect. Within a few minutes of the start of the meeting, we were all well aware of Rep. Frank's purpose of the meeting. Rep. Frank, a staunch and vocal advocate for issues affecting low- and moderate-income families, told the groups that we need to come together as a more cohesive unit in fighting for funding for existing housing and community development programs, as well as new initiatives, particularly housing production. He told the groups that a more united front needs to be presented to Congress. He also expressed his concern over the lack of passion the Administration has shown for its own housing production program. The fifty million that finally Congress consented to did not garner the expected brew-ha-ha from the Administration, as $200,000 million was requested.

Representative Frank said that he does not support the economic stimulus bill as it is currently being discussed. He believes that a better economic stimulus is the production of affordable housing and securing current domestic programs which ensure that everyone has a place to live. Housing creates wealth, not only for the homeowner, but it stabilizes neighborhoods and increases the local tax base. There is money out there, however, if we want money for housing production, we– the unified group of housing advocates– must find a way to separate housing from poverty and welfare. Housing is everyone's issue, not just one for poor people.

Talk also turned to devising an alternative HUD budget for FY 2003, in lieu of the budget presented by the Administration. This alternative budget would seek a 25-40% increase in HUD's budget. The groups agreed to work in tandem with Rep. Frank to try to push such a budget through the House

Budget Committee this year. The groups agreed to have an alternative budget developed by February, working with Rep. Frank and his staff. The alternative budget and other items agreed to by the group will be unveiled at a major press conference some time this winter. We'll keep you posted on our work with Rep. Frank and the other interest groups.

USCM HOLDS MEETING ON HOUSING WITH INTEREST GROUPS; INCOMING PRESIDENT TO FOCUS ON AFFORDABLE HOUSING

NCDA and other national interest groups met with the U.S. Conference of Mayors staff and incoming President Mayor Thomas Menino (Boston) on December 18 on the issue of housing. Mayor Menino is scheduled to become President of the U.S. Conference of Mayors (USCM) in May 2003. He has announced that his major focus as President of USCM will be affordable housing. Needless to say, NCDA and the other interest groups that represent housing and community development interests are ecstatic that Mayor Menino will focus his energy as President of USCM on affordable housing, a issue which receives little coverage and notice in the scale of other federal program areas. Mayor Menino hopes to bring affordable housing to the forefront of national policy discussions and focus appropriators' attention on providing more resources to HUD's programs.

In starting the meeting, Mayor Menino told the group that "housing plays an important role in the economy. It is crucial to cities and our country." As incoming President of USCM, Menino told the assembled groups that he plans to elevate affordable housing to a new, higher level. He asked the groups to think about the one, two, or three issues that we can use to develop a national strategy around affordable housing. Mayor Menino will hold a national meeting in early May on housing to begin to develop this strategy.

USCM's Executive Director, Tom Cochran, told the groups that USCM will put forward a new housing agenda when Mayor Menino becomes President in May. This new agenda will involve the establishment of public/private partnerships, fine tuning of HUD's programs, and a focus on new programs. USCM wants to involve the Bush Administration in some capacity. Cochran noted that mayors are not represented on the Millennial Housing Commission and that this focus on affordable housing will provide local officials and others a new avenue for voicing their housing strategies and interests to Congress and the Administration.

Several participants at the meeting told Mayor Menino that they look forward to working with USCM on focusing national attention on affordable housing. Others said that the biggest challenge is to get the current Administration to focus its attention on the issue. Many are very disappointed with both the President's lackluster attitude towards housing as well as Secretary Martinez' lack of zeal in his position as Secretary of HUD. Most do not see him as a champion for the agency. Others said that they feel that there is an agenda on the part of the Administration to cut social spending, and to use the war as an excuse to do so.

Others at the meeting told Cochran and Menino that we first need to protect the programs that we have, particularly CDBG and HOME, and others, and then go on the offensive to develop new housing strategies.

At its annual conference in June 2001, the U.S. Conference of Mayors adopted a resolution that focused on making affordable housing a national priority. In the resolution, the Conference of Mayors urged that the following actions be taken to advance the goal of increasing affordable housing opportunities and access to housing: (1) establish a Housing Production Program to assist cities with expanding and preserving the supply of rental housing for a mix of incomes; (2) develop a set of tools, including tax credits and other financial incentives to increase homeownership; (3) establish a preservation grant program that provides matching grants to states and localities for preservation and incentives to preserve the existing stock of affordable housing; (4) maintain and expand housing and community development funding in federal and state budgets; (5) ensure adequate federal resources are available for public housing so that it is fully utilized, safe and well maintained for those most in need; (6) develop a national strategy to meet the comprehensive needs of homeless individuals and families and seek expanded federal resources beyond the HUD budget to address these needs; and (7) ensure housing programs and policies address the needs of the growing elderly population.

Mayor Menino's housing strategy will incorporate some of these actions as well as go beyond these areas to elevate housing to a status not seen before.

USCM RELEASES ANNUAL 2001 HUNGER AND HOMELESSNESS REPORT

The U.S. Conference of Mayors (USCM) recently unveiled its latest *Status Report on Hunger and Homelessness in America's Cities* at a press conference on December 12. USMC surveyed the 27 cities represented on its Task Force on Hunger and Homelessness. Cities on the Task Force include: Boston, Burlington, Charleston, Charlotte, Chicago, Cleveland, Denver, Detroit, Kansas City, Los Angeles, Louisville, Nashville, New Orleans, Norfolk, Philadelphia, Phoenix, Portland, OR, Providence, Salt Lake City, San Antonio, San Diego, Santa Monica, Seattle, St. Louis, St. Paul, Trenton, and Washington, D.C. USCM sought information and estimates from each city on: (1) the demand for emergency food assistance and emergency shelter and the capacity of local agencies to meet that demand; (2) the causes of hunger and homelessness and the demographics of the populations experiencing these problems; (3) exemplary programs or efforts in the cities to respond to hunger and homelessness; (4) the availability of affordable housing for low income people; and (5) the outlook for the future and the impact on the economy on hunger and homelessness.

Data for the survey was collected from the 27 cities for the period of November 1, 2000 to October 31, 2001. It was supplemented with data on population, poverty, and unemployment available from the Bureau of the Census and the Bureau of Labor Statistics.

Findings of the report including the following:

Hunger

- Officials in the survey estimate that during the past year requests for emergency food assistance increased by an average of 23 percent, with 93 percent of the cities registering an increase. On average, 14 percent of the requests for emergency food assistance are estimated to have gone unmet during the last year. Fifty-four percent of the people requesting emergency food assistance were members of families – children and their parents. Thirty-seven percent of the adults requesting food assistance were employed. In 100 percent of the cities, emergency food assistance facilities were relied on by families and individuals both in emergencies and as a steady source of food over long periods of time.

- Low-paying jobs lead the list of causes of hunger identified by the city officials. Other causes cited, in order of frequency, include unemployment and other employment-related problems, high housing costs, changes in the food stamp programs, poverty or lack of income, economic downturn or weakening of the economy, utility costs, welfare reform, medical or health costs, and mental health problems.

Homelessness

- During the past year, requests for emergency shelter increased in the survey cities by an average of 13 percent, with 81 percent of the cities registering an increase. Requests for shelter by homeless families alone increased by 22 percent, with 73 percent of the cities reporting an increase. An average of 37 percent of the requests for emergency shelter by homeless people overall and 52 percent of the requests by homeless families alone are estimated to have gone unmet during the last year. In 52 percent of the cities, emergency shelters may have to turn away homeless families due to lack of resources; in 44 percent they may also have to turn away other homeless people.

- People remain homeless an average of 6 months in the survey cities. Fifty-four percent of the cities said that the length of time people are homeless increased during the last year.

- Lack of affordable housing leads the list of causes of homelessness identified by the city officials. Other causes, cited in order of frequency, include low paying jobs, substance abuse and the lack of needed services, mental illness and the lack of needed services, domestic violence, unemployment, poverty, prison release, and change and cuts in public assistance programs.

- In the survey cities, officials estimate that, on average, single men comprise 40 percent of the homeless population, families with children 40 percent, single women 14 percent and unaccompanied minors 4 percent. An average of 22 percent of homeless people in the survey cities are considered mentally ill; 34 percent are substance abusers; 20 percent are employed; and 11 percent are vets.

- In 52 percent of the cities, families may have to break up in order to be sheltered.

Housing

- Requests for assisted by low-income families and individuals increased in 86 percent of the cities during the last year. Thirty-eight percent of eligible low-income households are currently served by assisted housing programs. City officials estimate that low-income households spend an average of 44 percent of their income on housing.

- Applicants must wait an average of 16 months for public housing in the survey cities. The wait for Section 8 certificates is 20 months, for Section 8 vouchers, 22 months. Nineteen percent of the cities have stopped accepting applications for at least one assisted housing program due to the excessive length of the waiting lists.

FEDERAL RESERVE BOARD TAKES ACTION TO CURB PREDATORY LENDING PRACTICES

On December 12 the Federal Reserve Board approved rule changes; which became effective December 20; aimed at combating predatory lending practices. These amendments will dramatically expand the number of high-cost home-secured loans eligible for protection under the Home Ownership and Equity Protection Act of 1994. The Fed estimates the new rules will cover 38 percent of all high-cost first liens and 61 percent of all high-cost second trusts. This is in contrast to current coverage levels of 12 percent and 50 percent, respectively.

The rule changes achieve this expansion of coverage by adjusting the price triggers that activate HOEPA protections. According to a Federal Reserve Board press release, "the rate-based trigger is lowered by two percentage points for first-lien loans and the fee-based trigger is revised to include optional insurance premiums and similar credit protection products paid at closing." More specifically, a first-lien loan is now considered high-cost if the interest rate is more than 8 percentage points above comparable Treasury securities. The changes to the fee-based trigger will require lenders to disclose the total amount of money borrowed, including optional insurance products that are sometimes foisted upon consumers just prior to closing.

The Federal Reserve Board's regulators also approved rules prohibiting the refinancing of high-cost loans during the first year of the mortgage. These rules also severely restrict creditors' ability, according to the Fed, to engage "in repeated financings of their own HOEPA loans over a short time period when the transactions are not in the borrower's interest." The Wall Street Journal reports that regulators rejected a proposal to restrict "the refinancing into high-rate mortgages of low-interest home loans granted to low-income borrowers by government and nonprofit agencies."

The Home Ownership and Equity Protection Act of 1994 was enacted in response to growing concerns over predatory lending practices. HOEPA created additional disclosure requirements and imposed limitations on certain home-equity loans with fees and rates exceeding predetermined price thresholds. HOEPA does not apply to loans to purchase houses.

BROWNFIELDS LEGISLATION APPEARS HEADED TOWARD FINAL PASSAGE

Shortly before 5:00 A.M. on December 20, the United States House of Representatives passed HR 2869, the Small Business Liability Relief and Brownfields Revitalization Act, under suspension of the rules. HR 2869 would authorize money for the cleanup of former industrial sites (brownfields) and exempt small businesses from superfund liability. The bill had been stalled until Paul E. Gillmor (R-OH), Chairman of the House Energy and Commerce Subcommittee on Environment and Hazardous Materials and the bill's sponsor, agreed with Democrats to include language in the bill that would apply federal wage laws (Davis Bacon Wage Rates) to brownfields cleanup projects, including those funded by state grants.

When this edition of the Washington Report went to print, it was not clear if the Senate had added HR 2869 to its unanimous consent calendar. NCDA members will receive an action alert when Senate activity on HR 2869 occurs.

HUD NEWS

HUD DEPUTY ASSISTANT SECRETARY BREGÓN ANNOUNCES CDBG DATA CLEAN-UP EFFORT

In a letter to community development practitioners, HUD Deputy Assistant Secretary for Grant Programs Nelson Bregón announced a three-stage initiative aimed at improving the quality of CDBG data in the Integrated Disbursement and Information System (IDIS). In his letter, Bregón stresses the importance of thorough and accurate reporting to the future of CDBG funding. "Missing, incomplete, or inaccurate data…do not accurately reflect the achievements of the program" and unfairly diminish CDBG's impact in the eyes of Congress and other stakeholders.

The initiative begins immediately, with relevant local officials and their staff asked to enter all missing accomplishment data by January 31, 2002. During the second step (February 1 through March 31, 2002), correct matrix codes should be assigned to activities. In the third and final step (April 1 through June 30, 2002), previously entered accomplishment data should be corrected. Additional information on the data improvement process can be found at http://www.hud.gov/offices/cpd/communitydevelopment/cleanup/index.cfm.

A copy of Deputy Assistant Secretary Bregón's letter announcing the initiative is included as an attachment to this edition of *The Washington Report.*

NCDA NOTES

LOCAL INTEREST GROUPS REQUEST SECRETARY MARTINEZ TO RELEASE CPD ALLOCATIONS IN A "TIMELY MANNER"

On November 27 NCDA, the National Association of Housing and Redevelopment Officials, and the National Association for County Community and Economic Development forwarded a letter to HUD Secretary Mel Martinez urging him to expedite the release of the CDBG funds to grantees. Specifically, the letter requests that "...[the Secretary] review and improve HUD's process of releasing CDBG funds as soon as possible... At a time when Assistant Secretary... Roy Bernardi is announcing a new policy on the timely expenditure of funds for CDBG, HUD must take the lead in the timely release of its funds..." For those who wish to review the letter, it can be found, in its entirety, as it is an attachment to this issue of *The Washington Report.*

LOCAL INTEREST GROUPS SUBMIT WRITTEN TESTIMONY TO SENATE BANKING COMMITTEE

Responding to a request from the Senate Banking Committee, the local public interest groups submitted written testimony outlining our housing and community development concerns for the upcoming budgetary year. The testimony expresses concern over the cut to the CDBG program in FY 2002, the need for an affordable housing production program and for homeless program consolidation. A copy of the testimony is attached to this issue of *The Washington Report.*

FEDERAL REGISTER NOTICES

December 12, 2001. Notice of Insufficient VA Appropriations to Implement the Requirements for Notification, Evaluation, and Reduction of Lead-Based . This document provides notice of a determination by the Department of Veterans Affairs (VA) that it lacks sufficient appro-priations sufficient to cover the costs of implementing certain regulations concerning Lead Based Paint hazards in single family properties acquired by VA in the operation of the VA guaranteed home loan program.

JOB ANNOUNCEMENTS AND ATTACHMENTS

See NCDAonline (http://ncdaonline.org) to access the files below.

- Martinez Letter on Timeliness
- Bregon Letter on IDIS Data Clean-up
- Local Interest Groups' Testimony