NATIONAL LOW INCOME HOUSING COALITION

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presented to the
Subcommittee on Insurance, Housing and Community Opportunity
House Committee on Financial Services
U.S. House of Representatives
"Legislative Proposals to Reform the Housing Choice Voucher Program"
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The National Low Income Housing Coalition thanks Subcommittee on Insurance, Housing and Community Opportunity Chair Judy Biggert (R-IL) and Ranking Member Luis Gutierrez (D-IL) for the opportunity to testify on the discussion draft of the Section 8 Savings Act (SESA). We appreciate your leadership on this important legislation and look forward to working with Congress on its expeditious enactment.

The National Low Income Housing Coalition (NLIHC) is dedicated solely to achieving socially just public policy that assures people with the lowest incomes in the United States have affordable and decent homes.

Our members include non-profit housing providers, homeless service providers, fair housing organizations, state and local housing coalitions, public housing agencies, private developers and property owners, housing researchers, local and state government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens. The National Low Income Housing Coalition does not represent any sector of the housing industry. Rather, NLIHC works only on behalf of and with low income people who need safe, decent, and affordable housing, especially those with the most serious housing problems. NLIHC is entirely funded with private donations.

In response to the upheaval in the housing choice voucher program instigated in the spring of 2004 by HUD's flawed allocation of otherwise adequate voucher renewal funding, leaving many agencies with insufficient funds and ultimately causing the loss of more than 100,000 vouchers nationwide, NLIHC held a voucher summit in 2005. At the summit, we brought together 66 voucher stakeholders, including voucher holders and representatives from advocacy groups, public housing agencies and their trade groups, affordable housing developers, housing finance agencies, HUD, the Office of Management and Budget, financial institutions, and congressional policy and appropriations staff from house and both sides of the aisle.

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We are pleased that recommendations made by those at the voucher summit have been included in the in the Section 8 Savings Act discussion draft. These include recommendations regarding income targeting, rent simplification, inspections, project-based vouchers, and enhanced vouchers.

The voucher program's goals, as stated in the 1974 Housing and Community Development Act, were "aiding lower-income families in obtaining a decent place to live and . . . promoting economically mixed housing." Over the years, the voucher program has worked to improve the ability of low income people to afford rental housing in the private market, improve the quality of housing that people rent, expand housing and locational choice for low income people, and increase the ability of low income people to achieve economic self-sufficiency, among other goals.

NLIHC strongly supports the housing choice voucher program because of the stability it can provide to households and to communities. The voucher program brings housing stability to about two million households today with affordable rents, quality homes, and proximity to chosen communities for job, service, and school access. Communities benefit when families and individuals have access to safe, decent and affordable housing and are not living on the precipice of homelessness. Indeed, vouchers provide an extremely effective antidote to homelessness or the specter of homelessness.

The voucher program's income targeting standards make it the most deeply targeted of HUD's large housing assistance programs. These standards also make the voucher program the most on-target of HUD's large programs. In the voucher program, at least 75% of new voucher households each year have incomes below 30% of area median, precisely where need is the greatest and scarce federal resources can have the greatest impact.

In Illinois, 76% of extremely low income renter households pay more than half of their incomes on housing.[1] In Alabama, 74% of extremely low income households do. In Massachusetts, 75% of extremely low income households do. Unfortunately, the voucher program's income targeting, which actually targets our nation's most significant housing needs, is unique among HUD programs. Only when Congress capitalizes the National Housing Trust Fund (NHTF), will the nation will have two distinct programs in operation, one focused on tenant-based assistance (vouchers) and one on preserving and producing housing (NHTF).

We also know that housing affordability has decreased for extremely low income people in the United States.

In 2009, there were 10 million extremely low income households but only 6.5 million units affordable to this income group. Between 2007 and 2009, this shortage of affordable units increased by 1.3 million units. When affordable *and available* units are analyzed, the gap of housing available to extremely low income households increases to 6 million units nationwide.

[1] NLIHC tabulations of 2009 American Community Survey PUMS housing file, June 2011.

To put it another way, for every 100 extremely low income households, there were only 39 affordable and available units in 2009. [2]

Simply put, if our programs are not targeting extremely low income households, they are not meeting our communities' most pervasive and most acute housing affordability needs. This is why the housing choice voucher program is so important to NLIHC and why we are so eager to see improvements like those in the discussion draft of SESA enacted. Indeed, NLIHC believes that a significant expansion of the voucher program and capitalization of the NHTF, both of which are targeted to the lowest income households, are the primary vehicles through which the United States can and will end homelessness.

On June 14, HUD issued its annual report to Congress, the Annual Homeless Assessment Report, reporting that 649,917 people experienced homelessness in the United States in 2010.[3] If we are to end homelessness in the United States, it will be through a combination of rental assistance, production and preservation of affordable housing. Such goals are not in the business plans of the nation's corporations. Rather, it must be the business of the federal government to carry out a proactive, aggressive plan to end homelessness.

There has not been a significant number of new vouchers issued in the United States since 2002. Since that time the nation has seen a 42% increase in worst case housing needs. Worst case housing need households are defined by HUD as very low income unassisted renter households (income below 50% of area median) and either paying more than half of their incomes on rent or living in severely substandard housing. By definition every worst case housing need household is eligible for a voucher but does not have access to them.

Review of Section 8 Savings Act Discussion Draft

Administration of Assistance
The invitation to testify included a question on how public housing agencies (PHAs) use their administrative fees to operate the voucher program. Incorporated in this question was a request for ideas on "areas that could be streamlined or simplified while still maintaining proper program oversight." NLIHC is very interested in achieving this critical balance and believes strongly that Congress should not reduce administrative operations that provide quality control and the data necessary to understand the effectiveness of the programs. There is a point at which reducing administrative tasks will undermine our understanding of, and appreciation for, the programs as well as Congress's and HUD's ability exercise their oversight.

Rent Simplification and Maintaining Brooke
Critically, the draft bill would streamline and simplify rent setting, and encourage increased earned income while maintaining the core benefit of these programs to assisted households: rents set to the Brooke standard. Brooke rents, named after former United States Senator Edward

[2] Pelletiere D. (2011, January). A Preliminary Analysis of the 2009 and 2007 Rental Affordability Gaps. *National Low Income Housing Coalition*.

[3] US Department of Housing and Urban Development. (2011, June). 2010 Annual Homeless Assistance Report to Congress. [No. 11-121].

Brooke (R-MA), cap rents at a percentage of adjusted income, today 30%, while connecting each household's rent to its own income. This ensures affordability and housing stability for each household. If we cannot rely on every household's rent being affordable, then there is little value in any housing assistance program.

NLIHC supports the rent simplification provisions included in the discussion draft. We believe that these will lessen administrative duties while not jeopardizing program integrity. The rent simplification provisions will also simplify the rent-setting process for residents of public and assisted housing and voucher holders.

These simplifications include recertifying incomes of fixed income households every three years instead of annually, which is particularly significant since the majority of assisted households are elderly and/or people with disabilities. Residents, PHAs and owners will all benefit from these provisions.

Many of the draft bill's rent simplification provisions serve double duty by also encouraging increased earned income. The draft bill would also establish thresholds for which income recertifications could occur and would give PHAs some discretion on adjusting these thresholds. Interim income recertifications could only occur, under the draft bill, at the tenant's request if annual income is expected to decrease by at least 10%. Conversely, interim income recertifications due to increased income would only occur when annual income increased by 10%.

Assisted tenants would not have to recertify their incomes more than annually due to increases in earned income if they did not receive any income reductions in that same year. And, PHAs and owners could chose not to conduct any interim income recertifcations during the last three months of a tenant's recertification period. The bill would also base rents at annual income recertificaitons, after initial occupancy, on the prior year's income instead of on projected income, which is the current practice. NLIHC believes that these provisions will benefit residents by allowing them to hold onto more of their increased earned income longer and make rent setting and income recertifications easier for PHAs and owners.

While NLIHC is disappointed that the bill does not have a broad expansion of the current earned income disregard included in earlier drafts of the Section 8 Voucher Reform Act (SEVRA), it is our hope that the draft bill's provisions, which will apply to all public housing, voucher, and project-based residents, will encourage increased earned income while lessening administrative functions by owners and PHAs.

Inspections

The discussion draft of SESA includes a number of provisions related to streamlining the inspections process, which would decrease the administering agency's duties and presumably house people faster without risking their right to safe and decent housing in the voucher program. The draft bill's provisions allow PHAs to abate rental payments if the apartment owner fails to correct deficiencies. NLIHC supports requiring the use of up to two months' abated funds for relocation assistance, including security deposits and moving expenses, if tenants in deficient units must move because of an owner's failure to remediate identified problems.

Payment Standard Increases for Reasonable Accommodation
To reduce administrative tasks as well as improve the effectiveness of the voucher program for people with disabilities, NLIHC supports including in SESA the authority for PHAs to increase the payment standard to 120% without having to seek HUD approval as a reasonable accommodation to persons with disabilities.

Voucher Renewal Funding
The viability and credibility of the voucher program is rooted in a stable, sufficient, and reliable voucher renewal funding policy. The SESA draft bill calls for determining annual allocations of voucher funding for PHAs based on the leasing rate in PHAs' prior calendar year.

The draft bill stops short of dictating that annual voucher funding allocations be based on leasing and cost data, but does lay out what the leasing rate shall include. The leasing rate would be the number of vouchers under lease, including vouchers that exceed an agency's authorized voucher level if they are funded through the allocation for the agency for the prior year, with adjustments for incremental and new tenant protection and enhanced vouchers.

While the draft bill's language on leasing rates and reserves is helpful, NLIHC urges the Subcommittee to codify voucher renewal and reserve language in a SESA bill rather than rely on annual appropriations bills for such directives.

The draft bill would also prohibit PHAs from retaining voucher reserves of 6% or more than the amount it was allocated in the prior calendar year. The bill would also allow reserves to be used for over-leasing in any year, regardless of whether such use is eligible for renewal funding in the subsequent calendar year. NLIHC supports these policies.

Unlike previous versions, the current draft bill does not include offset and reallocation policies that NLIHC thinks would bring additional stability to the program. Offset policies in previous versions of SEVRA, supported by NLIHC, would allow HUD to offset a PHA's allocation by the amount its reserves exceeded 6%. The HUD Secretary would then be authorized to use these offsets for a variety of purposes, including for increased costs due to portability, significant increases in voucher renewal costs resulting from unforeseen circumstances, and reallocating to PHAs to avoid or reduce any pro-rations of renewal funding.

NLIHC also supports an advance mechanism to PHAs that could act as a safeguard for agencies that experience a temporary shortfall in funds. Such a mechanism was included in earlier SEVRA bills and NLIHC supports inclusion in SESA. Provisions that allow a PHA to request, during the last quarter of the calendar year, up to 2% of its allocation to pay for additional voucher costs, including costs related to temporary over leasing. NLIHC believes that this will give some PHAs the assurance they need to increase their voucher utilization rates. These advances would have to be repaid and could not occur in two consecutive years.

Project-Based Vouchers
While NLIHC is pleased that the discussion draft includes a provision to allow the maximum contract term for a project-based voucher to be extended from the current 15 years to 20 years,

many other project-based voucher provisions could be added to SESA that would be extremely beneficial to renters and affordable housing developers.

NLIHC hopes that, as the bill moves forward, additional provisions to support the project-basing of vouchers are included. NLIHC supports project-based voucher policies that allow PHAs to base the existing 20% cap for project-basing on either the number of its vouchers or its voucher budget authority. In addition, NLIHC supports authorization for an additional 5% of vouchers or voucher funds for project-basing in units housing homeless families, for supportive housing for persons with disabilities, or for units in tight rental markets. NLIHC also supports the authorization for site-based waiting lists for properties with project-based vouchers.

Such provisions were in earlier versions of SEVRA and NLIHC stands with many other organizations who think these improvements to the project-basing of vouchers will increase resident choice and the ability of PHAs to respond to their communities' needs.

Enhanced Vouchers
The discussion draft includes important provisions regarding enhanced vouchers, all of which NLIHC supports. The draft bill would include enhanced vouchers under factors to be considered in a PHA's voucher leasing rate. The draft bill would also prohibit existing public and assisted housing families who receive enhanced vouchers or tenant-based vouchers because of demolition or disposition, or because of a termination of a HUD subsidy contract, from being considered a new applicant and being re-screened by the PHA.

The draft bill would also provide enhanced vouchers to tenants in a property with a mortgage that has matured but where, if the owner of the property had prepaid the mortgage instead of allowing it to mature, the tenants would have been eligible for enhanced vouchers upon the prepayment. This provision will protect tenants from increased rents when the project-based subsidy contract expires for their buildings.

Use of Vouchers in Manufactured Housing
Prior to the Quality Housing and Work Responsibility Act of 1998, vouchers could be used to subsidize a variety of housing costs for families in manufactured housing, but QHWRA limited voucher assistance payments to subsidies for the land rental costs only. NLIHC supports the inclusion of language in the bill as it moves forward that would allow voucher assistance to cover the cost of purchasing a manufactured home, including any required insurance and property taxes and the monthly amount allowed for tenant-paid utilities, in addition to the already allowable use of voucher assistance to pay the monthly rent charged for the real property on which the manufactured home is located.

According to the Housing Assistance Council, there are more than seven million manufactured homes in the United States, representing about 7% of the nation's housing stock. More than half of these homes are in rural areas. Incomes of manufactured home residents are nearly 40% lower than other households. The majority of manufactured homes are financed by personal property loans.[4] NLIHC supports including the above provisions in SESA as it moves forward to bring affordability and stability to these homeowners.

Admissions
NLIHC supports the discussion draft's proposal to require any elective screening by PHAs of voucher program applicants be limited to criteria that are directly related to the applicant's ability to fulfill the obligations of their lease, and that any mitigating circumstances presented by the applicant must be considered.

Other voucher program improvements in this portion of the draft bill would provide voucher holders with the same due process rights that public housing residents have today, including notice of the basis to deny or terminate assistance and the right to a hearing.

As voucher holder rights are advanced in this draft, NLIHC urges the Subcommittee to include other protections as well. Protections from earlier versions of SEVRA would limit denials of assistance for criminal activity to violent and drug-related activity or a pattern of other criminal activity during a reasonable period before the admission date and where there is credible and objective evidence.

Fair Market Rents
Regarding the methodology HUD uses to determine fair market rents, NLIHC remains most interested in keeping FMRs as accurate as possible and as administratively consistent as possible. NLIHC supports the draft bill's language to no longer require HUD to publish proposed FMRs but, rather, to allow for public comments on the final FMRs, with HUD releasing revised final FMRs as necessary. NLIHC also supports the draft's requirement that HUD publish for comment any material changes in the methodology for estimating FMRs.

The discussion draft of the bill would require that FMRs be published "not less than annually." NLIHC believes this language is insufficient and supports the inclusion of some date certain by which FMRs must be published each year and some date certain for income limits to be published each year. Ideally, these dates would have some close proximity to each other.

NLIHC has also expressed our strong support to HUD for its small area FMR demonstration. NLIHC believes that this demonstration, which will provide FMRs for zip codes, will result in voucher holders having more choice to live in neighborhoods with better economic and educational opportunities and in voucher rents not leading the market in some of the most undesirable neighborhoods. NLIHC supports the use of zip-codes in the demonstration. Zip codes provide rent information on a sufficiently smaller scale, they are relevant to determinations of appropriate rent level by the general public and in using public and private rent and real estate websites and other sources of information, and most importantly perhaps, the zip code for a property is easily identified by PHAs, landlords and voucher recipients alike.

[4] George, L. and Yankausas, J. (2011, March). Preserving Manufactured Home Communities in Rural America. *Housing Assistance Council.*

Rent Policy Demonstration
The draft bill's rent policy demonstration would allow the HUD Secretary to carry out a demonstration project for a "limited" number of families to determine the effectiveness of different rent policies, including ceiling rents, tiered rents, and an earned income disregard. While other rent simplification provisions of the draft bill stay firmly within the Brooke framework, this demonstration would put HUD-assisted households at risk of having significant cost burdens.

NLIHC's initial thought on this demonstration was, "Don't we already have such a demonstration and isn't it called Moving to Work (MTW)?" However, we understand that imposing new guidelines and structures on existing MTW agencies is impossible. Unfortunately, if MTW were properly established, we would know the answers to the questions for which this demonstration seeks answers. But, MTW was not properly set up to be evaluated as required by the MTW statute and we have no such data.

NLIHC appreciates that the discussion draft does not expand the MTW program to additional agencies or make it permanent. To this end, we could consider the demonstration outlined in the draft bill if it included several parameters. These might include: meaningful resident participation in development and ongoing administration of any demonstration; interim and final evaluation components that include data gathering, both of which would monitor rent burdens; rent burdens becoming de facto time limits; hardship provisions; how well the demonstration is meeting the goals in the discussion draft; authority for the HUD Secretary to stop or change a demonstration policy if it's been found to harm residents; ineligibility of troubled agencies to participate; and, limiting the demonstration to the smallest number of families and the shortest time frame necessary to test various rent structures.

Moving to Work
What impact has the Moving to Work program . . . had on participating PHAs? To be brief, we do not know. We don't know if residents have been helped finding employment. We don't know if federal funds were used more efficiently. We don't know if more residents have become self-sufficient than would have without the MTW program. We don't know if housing choices for low income families have increased. We don't know what has happened with MTW PHAs that have imposed or threatened time limits, work requirements, higher income targeting, and market rate rents.

After more than 10 years as a demonstration, we simply do not know across participating agencies what has happened to public housing residents and voucher holders, or what the impact of MTW has been on the financial and physical health of the housing agencies' housing programs. NLIHC understands that HUD will begin to collect data from the MTW's latest entrants; these data will be helpful.

For now, we have anecdotal reports based on anecdotal reports. HUD's recent report on MTW, published in the fall of 2011, was criticized sharply by NLIHC.

HUD's Inspector General has issued a series of reports over the last several years, each raising red flags about the MTW program in general and significant issues with individual demonstration sites. One of the IG reports questioned how the Housing Authority of Baltimore City was included in the demonstration at all, given its poor track record and incomplete, late application. Another report found that HUD did not design the MTW program to collect any data and instead relied on existing HUD systems to collect data, which could not collect the data. Yet another report chastised the Housing Authority of the City of Pittsburgh for stockpiling $81 million in HUD funding while missing out on serving more than 3,000 households with vouchers and earning dismal public housing Real Estate Assessment Center scores. One IG report focused on the Vancouver (WA) Housing Authority, which decided, without HUD's agreement, to no longer conduct housing quality inspections of its voucher units.

Civil rights groups have been outspoken in their opposition to MTW. MTW sites (in Lincoln, NE, Xenia, OH, Lawrence, KS, Vancouver, WA, and Delaware state) have restricted portability moves and (in San Antonio, TX) have shifted their focus away from housing extremely low income people to those with higher incomes, all allowable under MTW.

Notable for this hearing, all of the rent simplification measures touted in the report as used by MTW agencies would be achieved for all PHAs with the passage of SESA. These include reducing rent recertification frequency for fixed income households, eliminating or simplifying the earned income deduction, ignoring some or all asset income, and replacing medical and child care deductions with a standard deduction.

NLIHC is hopeful that MTW provisions will remain out of SESA as the bill moves forward.

Family Self Sufficiency

The draft SESA bill would stabilize funding for the housing choice voucher FSS program by changing the FSS coordinator funding stream from an annual competitive grant to an administrative fee. The SESA provisions would provide greater stability by funding coordinators through annual administrative fees tied to program size and performance standards, ensuring housing agencies have sufficient funding to provide reliable, high-quality service to FSS participants.

The draft bill would also expand the number of families benefitting from FSS by opening up eligibility to families living in project-based Section 8 multifamily housing properties. The draft SESA bill would amend existing policies to merge the public housing and voucher FSS programs into one unified FSS program, reducing administrative duplication and costs and eliminating policy inconsistencies between the two programs. NLIHC supports these provisions.

In addition to these helpful policies, NLIHC supports one additional, beneficial step toward FSS program unification and streamlining: merge the funding sources for FSS coordinators so that a single federal funding source, the FSS administrative fee specified in the draft bill, would fund the coordinators of all eligible FSS programs.

Thank you for considering our comments.

United States House of Representatives
Committee on Financial Services

"TRUTH IN TESTIMONY" DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

1. Name:	2. Organization or organizations you are representing:
Linda M. Couch	National Low Income Housing Coalition

3. Business Address and telephone number:

[redacted]

4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?	5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?
☐ Yes ☑ No	☐ Yes ☑ No

6. If you answered .yes. to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.

7. Signature:

Please attach a copy of this form to your written testimony.