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Testimony before the
House Financial Services Committee Subcommittee on Housing and Community Opportunity
regarding

“The Impact of the Foreclosure Crisis on Public and Affordable Housing in the Twin Cities”
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Testimony presented by Michael Dahl, Public Policy Director with HOME Line

Madame Chairwoman, Congressman Ellison, and Members of the Subcommittee, thank you for the opportunity to testify regarding the state of affordable housing in today’s economy and the current housing market. My name is Michael Dahl, and I am the Public Policy Director for HOME Line. HOME Line provides free legal, organizing, education and advocacy services so that tenants throughout Minnesota can solve their own rental housing problems. We work to improve public and private policies relating to rental housing by involving affected tenants in the process.

As part of our work, we operate a statewide tenant hotline. HOME Line's Tenant Hotline provides renters with legal information about their tenant rights. The hotline has grown from serving suburban Hennepin County in 1992 to serving the whole state except Minneapolis, which continues to operate its own city-funded service. Last year, we took over 11,000 calls, setting an unfortunate record for the number of tenants that asked for our assistance.

As should be expected in today’s market, the number of tenants calling us because they live in a property faced with foreclosure and do not know what to do has gone up ... way up. In 2000, we took 18 calls for all of Minnesota from tenants asking a question about foreclosure. In 2009, the number was 1265! Foreclosure now accounts for over 10% of all calls to our hotline. The problem in Congressional District 5 has been particularly acute. Last year, we received 273 calls from tenants faced with foreclosure issues in Congressman Ellison’s district – a fourfold increase in just three years. The table below illustrates the increase in foreclosure calls HOME Line has received from individual cities in the 5th Congressional District from the last 3 years and compares the district totals to Minnesota overall:

Tenant Foreclosure Calls

	2007	2008	2009	Last 3 years
Columbia Heights	7	15	13	25
Crystal	2	3	14	19
Fort Snelling	0	0	0	0
Fridley	6	12	14	32
Golden Valley	3	5	2	10
Hilltop	0	0	0	0
Minneapolis	36	136	175	347
New Hope	3	9	14	25
Richfield	4	14	5	23
Robbinsdale	3	17	12	32
Saint Anthony	0	1	1	2
Saint Louis Park	4	11	23	38
All of District 5	68	223	273	564
All of Minnesota	427	1,082	1,265	2,774

Obviously, with the increased distress faced by renters who have no control over whether their home goes into foreclosure, we are so glad Congressman Ellison fought for and passed the Protecting Tenants at Foreclosure Act. Since the legislation went into effect on May 20, 2009, HOME Line's work has changed in a two important ways:

1. First, the tenants we advise receive more time to move. Prior to the change, a bank only needed to give a tenant 60 days notice to vacate. Now, a tenant is entitled to 90 days. The extra time is valuable because it gives tenants time to plan their lives. The extra time can be used to save up for the impending move. A tenant can wait for a rental property that fits their needs, not commit to the first thing that comes available. The extra time can be used to wait until the school year comes to a close or until a harsh winter ends.
2. Holding the new owner to the tenant's lease is a good change as well. When a property is transferred normally, the new owner steps into the shoes of the old owner. The new owner must respect the tenant's lease. That rule did not hold true for foreclosures. Making one rule for all property transfers makes the law constant and easier to understand.

For the last 2 years, foreclosure calls have made up about 10% of our call volume. It is the often the 4th most common reason people call. The increased call volume has shown no sign of abating. That is why it is unfortunate the Act is set to sunset in 2012.

HOME Line would recommend making the tenant protections in the Protecting Tenants at Foreclosure Act permanent. Let's take a look at Pamela Patterson as an example of why Congress should permanently extend the Act. Pamela Patterson is a low-income tenant on disability with a Section 8 voucher. She lives in Crystal. The sheriff's sale on the landlord was on 4/23/09. The redemption period expired (and bank purchased) on 10/23/09. The protections Congressman Ellison fought for went into effect 5/20/09, so there is a gray area

here about if she should have been protected. In any event, bank threatened her (and several neighbors) to be out by early November 2009. She complied, only because she found good housing nearby that would accept her Section 8. She is frustrated with the situation, since she was a good renter paying her rent on time and feels bad for some of her neighbors for their bad experiences too – they were not aware of the current tenant protections. Pamela is glad that 90-day protection is there now, but believes renters need more protections in these circumstances as it is no fault of theirs. HOME Line agreed with Pamela before the Act went into effect, agrees with her now, and thinks the same protections would be warranted beyond 2012. Permanently extend the Tenant Protections in Foreclosures Act.

More, however, must be done to alleviate the situation extremely low-income renters find themselves in.

That is why we agree with the recommendations from the Housing Preservation Project to make Neighborhood Stabilization (NSP) funds more flexible. Anything that can be done to turn vacant properties to good use right now would be helpful. I will let Mark Ireland address the issues in NSP.

I would like to focus the remainder of my remarks, instead, to broader needs regarding affordable housing. These are recommendations you would have heard from HOME Line with or without a foreclosure crisis. Why talk about such recommendations now, at a hearing about what to do for low-income renters and affordable housing in an environment awash in foreclosures? Because America's affordable housing need predates the foreclosure crisis. We have people on the Section 8 voucher waiting list that were on that waiting list five years ago ... as I said earlier, when HOME Line received on 47 calls from across Minnesota from tenants living in a property faced with a foreclosure. If we do nothing except address the foreclosure crisis this year, additional fundamental problems with the housing market will remain.

Someone needs rental assistance today. What will they find for help in the 5th Congressional District? They will find that all the lists are closed – the Minneapolis, Richfield, St. Louis Park, and Metro HRA Section 8 voucher lists all closed. Now, let's just say that person is *lucky* enough to need help on the day that one of these lists reopens. Some will apply to get on a waiting list that gives them the privilege of waiting another three to five years before even receiving a voucher. That is because a combined 17,000 people are ahead of them on the various HRA lists.

Unless we do two things – increase the supply of affordable housing and provide more rental assistance – we are going to continue to have a serious problem on our hands – with or without the foreclosure crisis.

1. Our nation needs to recommit to an affordable housing production program – something that has been sorely missing from America's affordable housing strategy for years. That is why we recommend Congress provide significant funding for the National Housing Trust Fund. To build, preserve, and rehabilitate 1.5 million homes affordable to low-income people over the next 10 years would require an investment of \$5 billion annually for the next 10 years.
 - a. As a first step towards that goal, we hope the United States Senate follows the House's lead and puts \$1 billion in the Jobs Bill to provide the initial funding for the National Housing Trust Fund.
 - b. As another step in the right direction, we hope the President includes at least \$1 billion for the National Housing Trust Fund in his FY 2011 budget. This is

something we are pleased Senator Al Franken has asked for as a co-signer on Senator Merkley's (D-OR) letter to the President.

- c. But these two steps are just partial, one-time steps towards our goal: \$5 billion annually for the next 10 years. Congress must identify ongoing funding to reach the goal.
2. We need more housing vouchers. Nothing will reduce the number of people waiting for help than actually funding more help for more people. Housing Choice Vouchers (rent assistance) help low-income renters bridge the gap between the cost of privately-owned apartments and their incomes. In 2008, 29,785 Minnesota families received vouchers. In Minnesota, 230,000 renter households live in housing they cannot afford. HOME Line has two recommendations for Congress regarding housing vouchers:
 - a. Renters with housing choice vouchers should pay no more than 30% of their income for modest housing.
 - b. Congress must expand the HUD budget to fund vouchers for all eligible renters.

Madame Chairwoman, Congressman Ellison, and Members of the Subcommittee, thank you for the opportunity to speak to you. Please know that HOME Line will help you reach these goals.