

Testimony of the
National Low Income Housing Coalition
Submitted to
Committee on Financial Services
U.S. House of Representatives
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The National Low Income Housing Coalition (NLIHC) is pleased to offer this testimony to the Committee on Financial Services in connection with the January 26, 2011 hearing titled “Promoting Economic Recovery and Job Creation: The Road Forward.”

NLIHC is a membership organization 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 residents of public and assisted housing and their organizations, state and local housing coalitions, nonprofit housing providers, homeless service providers, fair housing organizations, housing researchers, public housing agencies, private developers and property owners, local and state government agencies, faith-based organizations, and concerned citizens. While our members include the wide spectrum of housing interests, we do not represent any segment of the housing industry. Rather, we focus exclusively on what is in the best interests of people who receive and those who are in need of federal housing assistance.

With unemployment at about 9.4%, job creation must be a major focus of policymakers in Congress. Getting people back to work will strengthen our economy, help lower the deficit, and help promote the recovery of the housing market.

One proven way to create jobs is to invest in housing production, preservation, and rehabilitation. Today, there are over 1.7 million unemployed workers whose last job was in construction. With a 20% unemployment rate, the construction industry has the highest rate of people looking for work of any industry.

Construction is probably the sector most affected by the recession. Employment in the sector has shrunk by 38% since its peak in the spring of 2006 and 25% since the recession formally began in 2007. The loss of employment in the non-farm economy generally during the recession is in the range of 6%.

The decline of this sector has a direct impact on the economy. For much of the last four decades housing construction (residential fixed investment) has contributed over 5% to the nation’s GDP. While housing construction grew to over 6% of GDP during the housing bubble, by 2009 it had fallen to 2.7%. It fell further still to 2.4% in the third quarter of 2010. The industry clearly has room to grow.

While there may be an oversupply of luxury housing built during the bubble, the housing boom actually exacerbated the deficit of modest housing affordable to the lowest income households in

this country. With falling incomes and high unemployment the need for this affordable housing has only grown. Any comprehensive recovery plan must address the housing construction sector and the long standing deficit of affordable housing. We have an unprecedented opportunity to build and repurpose existing vacant and underutilized units of affordable housing with a hungry labor force and primed industry.

Congress could immediately create much needed construction jobs by funding the National Housing Trust Fund (NHTF), which was established in the Housing and Economic Recovery Act of 2008 (HERA). The NHTF is administered by HUD, which is now finalizing the regulations that will govern the operation of the program. The purpose of the NHTF is to produce and preserve rental homes that are affordable to extremely low income (ELI) households, those with incomes at or below 30% of the area median or the federal poverty level, whichever is higher. This is the *only income group* for whom there is a nationwide shortage of affordable homes.

The National Low Income Housing Coalition's most recent analysis of data from the American Housing Survey (AHS) shows that the shortage of rental homes that ELI families can afford grew substantially between 2007 and 2009. The absolute shortage increased from 2.1 million units to 3.4 million units. The number of rental units affordable to ELI families decreased by 600,000, while the population needing these homes increased by 700,000. Because many rental homes that ELI households can afford are rented by higher income people, the shortage for ELI households is actually much worse. The shortage of rental homes both *affordable and available* for ELI households grew from 5.2 to 6 million in those two years.

Our analysis of the AHS further shows that over half (51%) of the ELI households that will benefit from the NHTF are the elderly or disabled. Nationwide, there are 1.6 million ELI households composed of people who are elderly or disabled who receive no housing assistance, who pay more than half of their income for housing, or who live in severely substandard housing. These very vulnerable people will be the primary beneficiaries of the NHTF.

Funding the NHTF will not only address this critical housing shortage, it will also produce much needed jobs in several ways. First, because NHTF funds will be used to build or rehabilitate affordable housing, it will create jobs in the construction field in the same way building other housing creates jobs. The National Association of Homebuilders (NAHB) latest estimate is that for every 100 units built using the Low Income Housing Tax Credit, 122 jobs are created during that construction. In addition, the NAHB estimates that new residents of these units will continue to support about 30 jobs in other areas such as education and retail. Using the NAHB methodology and assumptions, NLIHC estimates that for every \$1 billion allocated to the NHTF, 12,200 jobs are created during construction and 3,000 ongoing jobs will be created.

Funding the NHTF will also help support state and local governments because NHTF-funded housing will generate funds through additional fees for permitting, zoning and utilities and increased revenue from sales and property taxes.

Creating more affordable housing, such as that funded through the NHTF, also gives the families who live there more money to spend on other necessities. The Center for Housing Policy recently reported that access to affordable homes increases the amount of disposable family income by

\$500 (or more in some cases), and that lower income families are more likely than others to spend these additional funds on food, clothing, health care, and transportation. These additional expenditures support the economy and multiply the job creating effects of NHTF dollars.

HERA provided that the NHTF be capitalized in part with contributions from Fannie Mae and Freddie Mac. Unfortunately, soon after HERA was enacted Fannie and Freddie's financial problems were identified and they were placed in conservatorship by their regulator, the Federal Housing Finance Agency (FHFA). FHFA suspended the contributions to the NHTF and that status continues today.

In a recent letter to the White House, 33 national organizations urged that funding for the NHTF be included in the Administration's proposal to reform Freddie and Fannie (a copy of this letter is attached). Funding the NHTF, whether through the next iteration of the secondary mortgage market or other mechanisms, will create jobs and address critical housing shortages.

The National Low Income Housing Coalition urges the Committee to consider the job creation promise of the NHTF as you develop policies to put Americans back to work.

Thank you for the opportunity to provide this testimony.