

Statement

Of

**Judith A. Kennedy
President and CEO**

National Association of Affordable Housing Lenders

Before the

**Subcommittee on Housing and Community Opportunity
House Committee on Financial Services
U.S. House Representatives**

September 15, 2005

The National Association of Affordable Housing Lenders (NAAHL) represents America's leaders in moving private capital to those in need. NAAHL encompasses 200 organizations committed to increasing private lending and investing in low- and moderate-income (LMI) communities. Members are the "who's who" of private sector lenders and investors in affordable housing and community and economic development, including 50 major banks, 50 of the blue-chip non-profit lenders, and insurance companies, community development corporations, mortgage companies, loan consortia, financial intermediaries, pension funds, and foundations.

All of our members are committed to being part of the solution to the terrible problems resulting from Hurricane Katrina. We appreciate your bipartisan efforts to address these critical housing needs, and are grateful for your interest in our responses to the important questions you raise, as follows

1. Efforts to assist with immediate housing needs

NAAHL members, like so many other Americans, have reached out to local charities and government agencies across the country to see what support they could provide to the disaster victims and the relief effort. The Financial Services Roundtable has submitted a detailed summary of the disaster relief activities and contributions of many of our bank members. Other NAAHL member banks have been: 1) accelerating contributions to United Way, Red Cross and other charities involved in disaster relief; 2) flying in expert grief counselors to support those agencies' efforts to help evacuees who have been relocated; 3) providing vacant buildings throughout the nation to be used as storage/distribution centers for collected goods; and 4) reconstructing financial records that victims lost in the disaster.

NAAHL's non-profit lenders across the country have identified vacant units for temporary housing in their states, coordinated with interested state and local agencies, helped families to settle in to temporary housing within 48 hours of their arrival, and persuaded churches and other institutions to adapt existing spaces for temporary homes.

Throughout this period NAAHL has tried to be a resource for members and others who encounter barriers to their good efforts, and then work with other associations and your staff to ensure that Federal agencies are aware of unintended barriers, and the waivers or other actions would support the housing effort. *We all appreciate very much your experienced staff on both sides of the aisle who have supported our efforts to eliminate red tape and help victims find decent temporary homes.* And we appreciate your responsiveness to the needs. Just one day after your bipartisan Roundtable and letter to the Treasury Department the IRS finally issued the comprehensive waiver we'd been seeking for 10 days. We have also tried to share important developments, and best ideas and practices.

2. Recommendations for short and long-term housing

SHORT-TERM HOUSING

- Build on what we know works. Federal reimbursement for temporary housing and living expenses has ensured cost-effective, emergency housing efficiently following other natural disasters. If history is any guide, most disaster victims want to leave mass shelters as soon as possible to return to their original communities or one nearby if at all possible, whether home is in the hollows of West Virginia or the riverfront cities of Ohio. With Federal financial assistance for reasonable costs of temporary housing for a reasonable period of time, most victims find appropriate, temporary shelter they can finance, in others' homes, hotels, and tourist cabins. As their living situation stabilizes, they repair their homes and/or search for permanent housing near their former homes.

- Direct HUD and IRS to provide any and all blanket waivers of regulations impeding emergency housing efforts in HUD-assisted and tax credit properties, as well as in CDBG, HOME, and other subsidy programs. Disaster-stricken localities need maximum flexibility to meet the emergency and permanent housing and community and economic needs of their citizens. Details on some of the waivers that are necessary are attached in a consensus letter from several associations

LONG-TERM HOUSING

- Don't rob Peter to pay Paul. It only exacerbates existing housing problems to move existing, insufficient resources from one needy population to another. This monumental disaster requires net new resources for the hurricane victims, both for emergency housing but also for permanent housing for the many lower-income families devastated by this hurricane. Additional, substantial allocations of Section 8 disaster relief vouchers and low income housing tax credits should be included in the next round of emergency legislation. Unfortunately, pre-Katrina affordable housing efforts may not be able to move forward without additional assistance, due to the hurricanes' impact on costs of labor, material, and energy. To produce just the same number of assisted units approved pre-Katrina, more subsidies will doubtless be required.

- Make small but important changes in existing statutes to facilitate more private capital investment in housing for low- and moderate-income families. Examples include noncontroversial recommendations that await action but have strong bipartisan support, such as:
 1. The Comptroller of the Currency's proposed increase in the statutory ceiling on banks' "public welfare investments" (e.g.

housing and NMTC credits) which has not been increased since 1992.

2. Revised definitions for Fannie Mae and Freddie Mae's housing goals and the multifamily affordable housing goal contained in HR 1461. The primary market has pioneered products to help meet the credit needs of very low, low and moderate income communities over the past 2 decades. Now is the time that HR 1461's language should be enacted, so that Fannie Mae and Freddie Mac finally bring GSE liquidity and other benefits to truly LMI loans. Attached is a letter from local public agencies and affordable housing managers and lenders requesting that these provisions be included in emergency relief legislation.

- Direct that existing regulations be updated to encourage private capital. For example, new Community Reinvestment Act (CRA) rules only provide appropriate CRA credit to banks under \$1 billion for doing the complex "community development", LMI lending and investing in multilayered, subsidized rental housing. This regulatory incentive to do the complex, labor intensive affordable housing should be extended to all banks.
- Recommend additional housing resources. Bipartisan support for the "Renewing the Dream" tax credit, HR 1549, is strong: more than half the House are co-sponsors. It could make a major impact on rebuilding, because it proposes a credit for building or rehabilitating homes for sale to low income buyers in distressed areas. It would provide a tax credit for the difference between appraised value and what a family can pay, which would be ideal assistance for this situation in these states.

3. Steps to make relief efforts more efficient and effective

- Direct Federal agencies to provide blanket, temporary waivers of all program requirements for disaster victims housed in properties financed with any of the following: HUD subsidies; housing credits; tax-exempt bonds; and FHA insurance. Comprehensive waivers are urgently needed so that the tremendous demand for decent shelter can be addressed without delays caused by the multitude of programs' regulations.

4. Impact of rising energy costs on providing housing assistance in the short-term as well as the long-term

- Increased costs of fuel oil and natural gas will also result in increased demand for electric power. Both for the disaster-stricken states and all others, energy costs increasing means increased costs of developing and maintaining affordable housing, and probably higher rents for existing units.

5. Impact of Katrina on construction costs and ability to produce affordable housing

- In the states Katrina devastated, communities and families are still reeling from the Ivan disaster of September 2004, and/or damage from other storms like Hurricane Dennis just 2 months ago. It is already reported that property and casualty insurance in many of these areas is hard to find. Existing policy holders report that premiums have tripled over the past year.
- In the declared disaster areas, increased demand for labor and materials, combined with higher energy and insurance costs, will make affordable developments currently in the pipeline infeasible. This triple whammy will certainly make future development of affordable housing in the regions much more difficult. Outside the disaster areas, increased production and operating costs definitely will have a negative impact on production across the country.

As the region tries to identify the private capital needs both to preserve the existing stock of assisted housing, and to produce more affordable housing, NAAHL members stand ready to help our colleagues along our Gulf Coast to pull together the necessary resources for permanent housing. We look forward to working with you and them on the planning and implementation of rebuilding.

September 8, 2005

Representative Robert Ney
Chairman
Subcommittee on Housing and Community Opportunity
Financial Services Committee
B303 Rayburn House Office Building
Washington, DC 20515

Representative Barney Frank
Ranking Member
Financial Services Committee
2252 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Ney and Mr. Frank:

As you are considering legislation addressing challenges posed by the Hurricane Katrina disaster, we wanted to bring to your attention important housing legislation that passed the House Financial Services Committee with bipartisan support. It has also been endorsed in the Senate by Senators Sarbanes and Reed, and supported by Senator Santorum, which could increase the availability of permanent, affordable rental homes at no cost to the Federal government.

The House bill, HR 1461, proposes new goals for Fannie Mae and Freddie Mac to provide them a regulatory incentive to purchase multifamily mortgages on homes affordable to low and moderate income families, i.e., households earning under 80%, 60%, and 50% of area median income. The bill recognizes that banks and non-profit lenders long ago extended the primary market's reach to help meet the credit needs of underserved populations and areas, but the absence of a broad and deep secondary market for most multifamily mortgages has limited their availability and the supply of affordable rental homes.

For just one example, the non-profit Alabama Multifamily Loan Consortium has made \$46 million of multifamily loans in the last several years, nearly all of which is affordable to those with less than 50% of the area median income. HR 1461 extends the Fannie/Freddie goals to include these conventional loans made by non-profits and banks that help meet the credit needs of low and moderate income persons, and so will help to replenish lenders' supplies of loan funds so more conventional mortgage money is available for more affordable rental homes.

HR 1461 contains other important provisions which, we support, relating to production of affordable multi-family housing units – the “Affordable Housing Fund” which would create a formula-driven affordable housing production that would provide communities direct access to a new funding source.

However, given the magnitude of the last affordable housing units as well as the attendant pressures created by changes in supply and demand in other parts of the country we respectfully request that you include the legislative above in an authorizing Hurricane Katrina relief package

as part of a long-term solution to increase the availability of permanent affordable rental homes to low income households.

Sincerely,

National Association of Affordable Housing Lenders

National Affordable Housing Management Association

National Association of Housing and Redevelopment Officials

September 12, 2005

Representative Mike Oxley
Chair
Financial Services Committee
2308 Rayburn House Office Building
Washington, DC 20515

Representative Robert Ney
Chairman
Subcommittee on Housing and Community Opportunity
Finance Services Committee
B303 Rayburn House Office Building
Washington, DC 20515

Representative Barney Frank
Ranking Member
Financial Services Committee
2252 Rayburn House Office Building
Washington, DC 20515

Representative Maxine Waters
Ranking Member
Subcommittee on Housing and Community Opportunity
2344 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Oxley, Mr. Ney, Mr. Frank and Ms. Waters:

The undersigned organizations are writing to support emergency legislation to assure that victims of Hurricane Katrina are able to be housed as quickly as possible. While we understand that FEMA is providing housing assistance to many of the families using emergency funding provided by Congress, there are a large number of low income families/elderly and persons with disabilities that have been displaced from public housing or Section 8 units or other assisted housing who will need longer term housing arrangements.

In order to facilitate the housing of these families, it will be necessary to temporarily waive a number of statutory and regulatory requirements as well as provide new voucher authority for hurricane victims.

We request that Congress provide funding for an initial 50,000 emergency Section 8 vouchers to be administered by the appropriate local housing agencies. In addition, we request the following:

A number of privately-owned properties with Section 8 assistance as well as public housing units were destroyed by Hurricane Katrina. The funding for the housing subsidies has

already been appropriated. We urge Congress to ensure that Section 8 project-based assistance contracts on affected properties are frozen or suspended to prevent them from expiring while the properties are being rebuilt and if necessary facilitate the transfer of such HAP contracts to other properties. The current tenants of those building should receive vouchers in the short-term while the building is rehabilitated. Further, a number of victims had been receiving Section 8 tenant-based vouchers and should be able to quickly port those vouchers to other jurisdictions without the normal administrative procedures. Of course, sufficient funding for housing agencies that accept the ported vouchers should be provided.

The following requirements should also be suspended for Katrina victims:

- Income/employment verification. HUD and PHAs can easily verify the status of current subsidy recipients through their PIC or TRACs system.
- Tenant rent contributions (including the minimum rent contribution). Many families will not be receiving any income for some time. Congress should waive the tenant rent contribution for three months or until the families or elderly receive their social security or employment checks.
- Waiting list rules: Obviously any federally declared disaster victims should be placed at the head of any waiting lists without violating any rules.
- Voucher payment standard ceiling. PHAs should have the ability to raise their payment standards to up to 140 percent of FMR for victims of Hurricane Katrina without HUD permission
- Initial inspection criteria. PHAs or HUD can inspect the units after move-in.
- Section 8 model lease requirements for project-based Section 8. The need to waive the income, employment, etc. will necessitate a special lease addendum to protect owners and HUD from fraudulent or ineligible applicants discovered subsequent to lease-up.
- One year lease requirements. Owners should be able to lease units on a month by month basis to enable residents to return to their original homes when applicable or move to other permanent housing.
- Translation (Limited English Proficiency-LEP requirements). Suspend any requirements to translate leases and other documents to avoid delays. Providers can work with volunteers to ensure that verbal translation occurs where necessary.
- Other Programs: HUD should be provided authority to issue waivers as necessary for any statutory requirements for its programs including CDBG and HOME that are deemed necessary to address issues raised within the framework of assistance for Katrina victims providing such waivers do not violate Fair Housing laws.

We stand ready to work with Congress and HUD to ensure that the low income families impacted by the hurricane are housed swiftly and safely. Our organizations have collectively identified thousands of units that are available for rent.

On September 9, the IRS issued Notice 2005-69, "Relief from Certain Low-Income Housing Credit Requirements Due to Hurricane Katrina." This notice authorized state housing credit agencies to permit temporary housing of individuals displaced by Katrina in Low Income Housing Tax Credit (LIHTC) Properties. Further, it temporarily suspended the LIHTC income

limitation and non-transient requirements. We respectfully request that you contact the IRS and urge the agency to issue similar guidance for bond-financed properties.

We believe that Congress will also need to address permanent housing issues for these families by facilitating rehabilitation of the assisted housing stock damaged by the hurricane and new construction to replace any housing that is permanently lost. Our collective housing organizations will be happy to make suggestions to that effect when the immediate needs of the displaced families are accommodated.

Please contact Denise B. Muha, NLHA Executive Director at 202/785-8888 or dmuha@hudnlha.com with any questions.

Sincerely,

*American Association of Homes and Services for the Aging
Council for Affordable and Rural Housing
Institute for Responsible Housing Preservation
Institute of Real Estate Management
National Association of Homebuilders
National Affordable Housing Management Association
National Apartment Association
National Association of Affordable Housing Lenders
National Leased Housing Association
National Multi Housing Council*