

THE FUTURE OF HOUSING IN AMERICA:
OVERSIGHT OF THE DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

HEARING
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THE FUTURE OF HOUSING IN AMERICA: OVERSIGHT OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Thursday, October 12, 2017

**U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON FINANCIAL SERVICES,
*Washington, D.C.***

The committee met, pursuant to notice, at 9:33 a.m., in room 2128, Rayburn House Office Building, Hon. Jeb Hensarling [chairman of the committee] presiding.

Present: Representatives Hensarling, Royce, Pearce, Posey, Luetkemeyer, Huizenga, Duffy, Stivers, Hultgren, Ross, Pittenger, Wagner, Barr, Rothfus, Tipton, Williams, Poliquin, Love, Hill, Emmer, Zeldin, Trott, Loudermilk, Mooney, MacArthur, Davidson, Budd, Kustoff, Tenney, Hollingsworth, Waters, Maloney, Velazquez, Sherman, Meeks, Capuano, Clay, Scott, Green, Cleaver, Perlmutter, Himes, Foster, Kildee, Sinema, Beatty, Heck, Vargas, Gottheimer, Gonzalez, Crist, and Kihuen.

Chairman HENSARLING. The committee will come to order. Without objection, the chair is authorized to declare a recess of the committee at any time, and all members will have 5 legislative days within which to submit extraneous materials to the chair for inclusion in the record.

This hearing is entitled "The Future of Housing in America: Oversight of the Department of Housing and Urban Development."

I now recognize myself for 3-1/2 minutes to give an opening statement.

Today, we welcome the 17th secretary of the Department of Housing and Urban Development, Dr. Ben Carson, for his first appearance before our committee. Welcome, sir.

At least in one respect, he may be among the most qualified individuals to ever serve as HUD secretary. Why? Because Secretary Carson was raised by a single mother who had a third-grade education. He grew up in poor communities in Detroit and Boston, lived in multi-family housing with boarded up windows and doors, surrounded by sirens, gangs, and murders.

Not only does he understand poverty personally and viscerally, he understands what it takes to escape it, and he is passionate about helping others escape, as well. He also understands that HUD's approach to eliminating poverty and urban decay too often fails, and thankfully, he is committed to changing it.

When it was created 52 years ago, HUD was intended to be the main weapon in the war on poverty. Now, 52 years later and \$1.6 trillion later, the poverty rate remains basically unchanged. Sadly, despite all this spending, HUD has failed to live up to the noble aspirations of its birth.

I do not wish to diminish the valuable work that HUD does. It is an invaluable part of our Nation's social safety net, especially tenant-based Section 8 housing for the elderly and disabled. But I remind all that, for the able-bodied, there is no better affordable housing program than a growing economy that creates better jobs, bigger paychecks and brighter tomorrows.

After suffering from 8 years of bad public policy, leading to a sluggish economy that has been growing at barely half of the historic norm, working Americans deserve better. They deserve fundamental tax reform as proposed by the President and Republicans, a fairer, flatter, simpler, more competitive tax system.

There hasn't been any significant tax reform in a century that hasn't grown the economy and grown tax revenues. I remind all, in the first 5 years after the Kennedy tax relief plan was passed, the economy grew by 48 percent and Federal revenues increased by 66 percent. This growth erased a \$5 billion point deficit and turned it into a \$3.2 billion surplus.

When Congress enacted the Reagan tax relief package, the economy grew by 42 percent over the next 5 years, and Federal revenues surged by 28 percent. Even going back to the Coolidge era, a series of tax relief measures passed during that administration resulted in annual average economic growth of 4.7 percent.

So we have it time and time again: When we remove the burdens of excessive taxation and allow the American people to keep more of what they earn, we unleash the potential to create prosperity and opportunity for everyone. That is not economic theory; it is economic history, and it is the very embodiment of affordable housing.

I also wonder, how can we be for affordable housing, yet oppose allowing working Americans to keep more of their paychecks? And that is exactly what the Republican tax reform framework does: allows working Americans to keep more of their paychecks.

So I look forward to hearing more of the secretary's new vision for HUD and the programs that he and his team are beginning to reform. I now yield to the ranking member for an opening statement.

Ms. WATERS. Thank you, Mr. Chairman.

America is currently in the midst of the worst rental housing crisis that we have ever experienced. It is hitting our lowest income families the hardest. According to the National Low Income Coalition, the United States has a shortage of 7.2 million affordable rental units for extremely low-income households.

Our country is also at a virtual standstill when it comes to reducing homelessness, and in some parts of the country, homelessness has reached crisis proportions. We also face homeownership challenges, with minority homeownership rates continuing to lag, even as the housing market recovers.

In the face of the immense housing needs in our country, President Trump chose Dr. Ben Carson to serve as the head of the Department of Housing and Urban Development. The secretary of

HUD is supposed to be at the forefront of our efforts to create strong communities; expand access to safe, decent and affordable housing; and enforce fair housing rights.

Housing is the foundation on which our entire society is built. It is a platform for economic mobility and well-being. It is a crucial part of our national economy. It is a necessary human right. We need strong leadership and a bold vision for HUD in order to expand access to affordable housing in this country.

Unfortunately, I have seen nothing to indicate that Secretary Carson is up to the challenge. Secretary Carson has expressed views that are deeply alarming and antithetical to his role as HUD secretary, such as describing poverty as, quote “more of a choice than anything else”. And saying he doesn’t think public housing should be too, quote “comfortable”.

His few actions so far as HUD secretary are deeply troubling, as well. Secretary Carson has supported a budget that slashes funding for critical housing programs and proposes humble rent increases on some of the most vulnerable American families. He has also moved to roll back important Obama Administration policies and initiatives with little or no explanation.

So I am very much looking forward to hearing from Secretary Carson today about his actions so far and his plans for serving our Nation’s most vulnerable families.

I thank you, Mr. Chairman, and I yield back the balance of my time.

Chairman HENSARLING. The chair now recognizes the gentleman from Wisconsin, Mr. Duffy, the chairman of the Housing and Insurance Subcommittee, for 1-1/2 minutes.

Mr. DUFFY. Thank you, Mr. Chairman.

Welcome—I don’t know if it is Secretary or Doctor or Dr. Secretary. Welcome either way, whatever the proper title is.

I think you can tell you are going to be in for an interesting hearing today based on the opening statement of the ranking member.

I would note that poor people have been worse off over the last 8 years, and minorities have fared worse than the rest of the population. And I would argue that, with a growing bureaucracy, a bigger government, a collectivist mentality, you gut the middle class. Poor people get poorer, rich people get richer. It happens whenever you implement these policies.

And to go back to a system that gives people a hand up, that helps move them from poverty—like yourself—into the middle class, one of the greatest brain surgeons the country has seen, is the American dream, is the American story. So I am looking forward to your testimony today.

I know you have a lot of reforms that you want to discuss with us. I am looking forward to hearing that. I would also like to hear your vision on—because the prior secretary—when they would look at success of HUD, success was viewed in the realm of “How many people do we get into the system, how many people do we help through HUD,” versus the mentality of “How many people not just do I get in, but how many people can I move out of the system? How many people can I get to stand on their own two feet?”

What is the measure of success in HUD? Look forward to your views on housing finance reform, on rural poverty. And my time is up, so I yield back.

Chairman HENSARLING. Time of the gentleman has expired. The chair now recognizes the gentleman from Missouri, Mr. Cleaver, the ranking member of the Housing and Insurance Subcommittee, for 1 minute.

Mr. CLEAVER. Thank you, Mr. Chairman.

The future of housing in America—it strikes me as significant. Thank you for being here, Mr. Secretary.

I have all the comments, but I may be of greater value if I just tell you that I sat down with Shaq, Shaquille O'Neal, to tell him how his father-in-law and I grew up. We grew up two blocks apart. I lived at 405B Bailey, he lived at 512, in the projects. I ended up getting the opportunity to move out faster than they did.

We—my father saved money, bought a lot, bought a house, moved the house to the lot—I mentioned to you. And I always think, “Well, what would have happened if nobody had helped my mother and father as they were struggling to make a living for four children?”

I will end the story, because I—my time is out—just to say that I have three sisters, all with degrees, one with a Ph.D. What would have happened if they had ignored us? Housing is important to me.

I yield back, Mr. Chairman.

Chairman HENSARLING. Time of the gentleman has expired. The chair now recognizes the gentleman from Michigan, Mr. Kildee, the vice ranking member, for 1 minute.

Mr. KILDEE. Thank you, Mr. Chairman. Thank you, Ranking Member Waters. And I am glad we are having this hearing, Mr. Secretary. I am glad you are here. The condition of America's cities and towns is a subject that is the jurisdiction of this committee and your department. And I think, in neither case—for some time, to be fair to you, preceding your entry into this position—that subject has not had nearly the attention that it should.

Unfortunately, for decades, important investment in cities and towns—CDBG, the HOME program—have faced really deep cuts. I grew up in Flint just around the same time you were growing up in Detroit. We had a similar childhood experience. And a lot of people know Flint now because of this terrible crisis that it is facing, coming out of this poisoning of its water.

But the truth behind Flint's story is that it was on the brink of insolvency, largely because the State of Michigan and the Federal Government had eliminated essential support for the development and redevelopment of those places.

I am anxious to hear how you can square your suggestions to cut further those programs with the sworn oath you took to uphold the mission of the department. Thank you.

Chairman HENSARLING. Time of the gentleman has expired.

Today, we welcome the testimony of the Honorable Ben Carson. This is the first time Secretary Carson has appeared before this committee. Dr. Ben Carson, M.D., was sworn in as the 17th secretary of the U.S. Department of Housing and Urban Development on March 2nd, 2017.

Secretary Carson earned a Bachelor's degree from Yale University, and received his M.D. from the University of Michigan Medical School. Previously, Secretary Carson served as Director of Pediatric Neurosurgery at the Johns Hopkins Children's Center.

Without objection, the witness's written statement will be made part of the record.

Secretary Carson, you are now recognized to give an oral presentation of your testimony. Welcome.

**STATEMENT OF HON. BEN CARSON, SECRETARY, U.S.
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

Secretary CARSON. Chairman Hensarling, Ranking Member Waters, members of the committee, thank you for inviting me to discuss the work that we do at the Department of Housing and Urban Development and my plans for fulfilling our mission with fidelity to our congressional mandate and the best interest of the American people.

First, please know that, right now, HUD is involved in the Federal response to multiple hurricanes that devastated areas of Texas, Florida, Georgia, Puerto Rico, and the U.S. Virgin Islands.

HUD's team is coordinating with our Federal, State, territorial, and local agency partners in the field, providing housing solutions for survivors, and helping HUD-assisted clients and FHA-insured borrowers. In the long term, HUD will play a key role in recovery efforts in these disaster-impacted regions as they rebuild. Helping these communities is and will remain a priority for me and this administration.

America has changed greatly since HUD was established as part of Lyndon Johnson's Great Society programs half a century ago. And we must learn to evolve with the country. Many Americans still struggle to find affordable housing. Chronic homelessness continues to plague tens of thousands of our countrymen. And many millions remain mired in poverty, rather than being guided on a path out of it.

History has made clear that spending more taxpayer dollars does not necessarily create better outcomes. We must constantly evaluate our programs to ensure that we are delivering services effectively and efficiently to HUD's constituents and responding to today's challenges with the best practices and technologies.

Since I arrived at HUD in March, it has been my mission to employ the wealth of knowledge held by career staff to improve our services, reform our programs and remain careful stewards of taxpayer dollars.

After several months of hard work, our team has outlined a bold plan for institutional reform and improvement that will better serve all Americans. It is called the Forward Initiative. The policy elements of the Forward Initiative each fall under what we have named the 3 Rs: reimagine how HUD works, restore the American dream and rethink American communities.

First, reimaging how HUD works refers to our internal processes, working conditions and training. The goal of every improvement made at HUD is to provide better service to those in need.

Second, our job is to restore the American dream, getting Americans back on their feet and permanently improving their lives. Of

course, HUD is committed to continuing to serve those families that might always need someone to lean on.

Additionally, we have an opportunity to eliminate veterans' homelessness in America. They sacrificed for our country and deserve all the support we can give.

And finally, we need to rethink American communities and how we can make them thrive. Expanding community investment through public-private partnerships produces better results than heavy-handed government intervention.

It is also our special priority to help more American families live in healthy homes, free of lead hazards and other poisonous substances. As a doctor, I have seen firsthand the tragic consequences of childhood exposure to dangerous building materials. Ridding our homes of these hazards is a worthy cause with great benefits to future generations.

While pursuing its mission to provide safe, decent, and affordable housing for the American people, the HUD team is also cognizant of its vital duty to be a good steward of taxpayer dollars.

The President has directed Federal agencies to take special care against burdening American families and their businesses with unnecessary and expensive regulations. HUD is reviewing its existing regulations to assess their compliance costs, reduce regulatory burden and build a more efficient and effective agency.

Let me close by reiterating the interest of our administration and my personal interest in working with this committee on housing finance reform. HUD will be an active participant in this critical dialog because of our fundamental housing mission, and because our FHA mortgage insurance program and our Ginnie Mae mortgage-backed security guarantee are large and vital components of the Nation's housing finance system.

Housing finance reform should be built on shared goals of ensuring a well-functioning housing finance system that provides access for credit-worthy borrowers that are ready to own a home, expands the role of the private sector and reduces overall taxpayer exposure.

Thank you again for inviting me to testify today, and I welcome any questions.

[The prepared statement of Secretary Carson can be found on page 58 of the appendix.]

Chairman HENSARLING. The chair now recognizes himself for 5 minutes for questions.

Secretary Carson, my colleague, the gentleman from Wisconsin, Mr. Duffy, alluded in his opening statement to, really, kind of metrics of success. And there are some who view the success of HUD to be tied to the size of its budget or the number of people who have Section 8 vouchers.

But I am curious—does HUD have, or is HUD developing any different metric? How many people actually get to escape poverty? How many able-bodied individuals are able to escape poverty, to move beyond Section 8 housing, and maybe at one point enjoy the dream of homeownership?

Does HUD have any way to measure this? Are we looking at this wrong? Should there be a different metric of success for what you are doing?

Secretary CARSON. There have been a number of studies over the course of decades, and, as was mentioned in your opening statement, there hasn't been a tremendous amount of progress there.

Now, this is not because the people who have been there have had bad intentions. I think they had very good intentions. But we do have to look at the fact that we are not making a great deal of progress with poverty.

And that is why we looking to reform this whole thing and—really looking more at the person than at the housing complex. Housing is a component of developing people, and we have to recognize that we only have 330 million people in this country.

We have to compete, in the future, with China and India, who have four times that many people. That means, if we don't develop all of our people, we are not going to be able to keep up in the future. It is as simple as that.

So we have to start thinking in terms of holistic development of people, holistic development of communities. How do we enable people to climb that ladder of opportunity? How do we incentivize them to climb that ladder of opportunity so that they become part of the strength of this country?

Chairman HENSARLING. Part of affordable housing is obviously tied to our housing finance system. Recently, Federal Reserve Governor Jerome Powell said, quote "If Congress does not enact reforms over the next few years, we are at risk of settling for the status quo: a government-dominated mortgage market with insufficient private capital to protect taxpayers and insufficient competition to drive innovation." Do you agree or disagree with Governor Powell's assessment?

Secretary CARSON. There is no question that we need to engage in a serious discussion about finance reform. There—a lot of progress has been made, by the way. 10 years ago—we were talking about how important it was to get everybody into homeownership.

And, again, I am not criticizing the people who did that. But I don't think they realize that to put somebody in a home that they can't afford is not really doing them a favor. They lose the home. They lose their credit. They lose their future opportunities.

We have to learn from those kinds of situations. And innovation is the hallmark of America.

Chairman HENSARLING. Mr. Secretary, can we reform our housing finance system without reforming FHA, which is obviously under HUD?

Secretary CARSON. FHA, as you probably know, is the largest guarantor of mortgages in the world. So it is a central part of it and needs to be reformed as well.

Chairman HENSARLING. Historically, the mission of FHA was to support first-time and low-income—low to moderate-income families, and it had a small footprint in the market. Now, it has a very large footprint in the market and, in many areas of the U.S., the FHA loan limits are the same as the conventional market—\$636,150 in so-called high-cost areas.

At least where I come from, only the top wage earners can afford a mortgage of \$636,000. Do you agree that establishing a home price or loan limit more in line, say, with the median home price

in the area will better serve the target customer for FHA and get it refocused on low to moderate-income and first-time home buyers?

Secretary CARSON. Thank you for that question. If one looks at the actual statistics and looks at the bell curve 95 percent of the mortgages fall in the \$200,000 range.

On the very tips, there are going to be very low ones and very high ones. So I tend to want to focus on the large group, and not on the outliers. It is very, very rare that we deal with a \$636,000 mortgage.

Chairman HENSARLING. Thank you, Mr. Secretary.

I now recognize the ranking member for 5 minutes.

Ms. WATERS. Thank you very much.

I had intended to start to talk about the housing crisis that we have. But, since the President was busy tweeting this morning and you referred to HUD's role in dealing with the hurricane disasters and what you and the administration are doing, this morning, Trump threatened to abandon Puerto Rico recovery efforts.

President Trump served notice Thursday that he may pull back Federal relief workers from Puerto Rico, effectively threatening to abandon the U.S. territory amid a staggering humanitarian crisis in the aftermath of Hurricane Maria.

In a trio of tweets, he wrote, "We cannot keep FEMA, the military and the first responders, who have been amazing, in Puerto Rico forever." On Thursday, he sought to shame the territory for its own plight. He tweeted, "Electric and all infrastructure was a disaster before hurricanes."

So you talked about what you, HUD, is doing in cooperation with, I guess, the administration. Do you agree with the President?

Secretary CARSON. I certainly agree that Puerto Rico is a very important territory. The people from Puerto Rico have contributed greatly to the culture of America.

Ms. WATERS. I am not talking about that. What I am talking about is these tweets where the President threatened to abandon Puerto Rico recovery efforts. Do you agree that they should be abandoned, that Puerto Rico should be abandoned?

Secretary CARSON. First of all, as I was saying, Puerto Rico is a very important—

Ms. WATERS. No, I know it is important. But I want to know—

Secretary CARSON. —Part of our culture, and as a result of that, we are not going to abandon them.

Ms. WATERS. —Whether or not you agree with the President, who is threatening to abandon Puerto Rico recovery efforts.

Secretary CARSON. I think I just said I have no intention of abandoning Puerto Rico. They are a very important part of who we are.

Ms. WATERS. So, you don't agree with the President. He tweeted, "Electric and all infrastructure was a disaster before the hurricanes," and sought to shame the territory for its own plight. Do you share that opinion?

Secretary CARSON. I think that our job is to make sure that we take care of the disaster that has occurred.

Ms. WATERS. So you don't agree that it should be abandoned. Is that right?

Secretary CARSON. Of course it should not be abandoned.

Ms. WATERS. And you don't think that they should be shamed for its own plight, is that right?

Secretary CARSON. There is no question that there have been a lot of difficulties in Puerto Rico. They ended up \$80 billion—

Ms. WATERS. Should they be shamed for its own plight?

Secretary CARSON. —In debt.

Ms. WATERS. Talked about—

Secretary CARSON. I don't think—I don't think it is beneficial to go around shaming people in general.

Ms. WATERS. OK. So I am glad to hear you don't agree with the President.

Let me go on with my housing question. I want to talk about someone who I recently met by the name of Larry, who resides in a Section 202 housing for the elderly property in south Los Angeles.

Larry shared with me the meticulous monthly budget he manages for himself. I have the budget right here. He lives on a fixed income of \$1,015 per month. After paying for rent, utilities, groceries, medical expenses, personal hygiene, he has exactly \$110 left at the end of the month. He told me he looks forward to using some of that \$110 to take his granddaughter out for ice cream.

The rent increases proposed in your recent HUD budget would mean an \$80 monthly increase for Larry. Larry said to me in my office, "Congresswoman, I don't know which other corner I could cut if I had to pay an additional \$80 per month in rent."

In fact, I have data that shows that seniors would have to pay an additional \$83 a month, on average, in rent under your rent reform proposal, which is a whopping 28 percent increase over what they are currently paying.

There are low-income seniors in HUD assisted housing all over this country, like Larry, with average incomes just over \$13,000 a year. Do you mean to tell me it is the vision of this administration to raise rents on low-income seniors like Larry? Tell me, what do you expect Larry to do if your proposal to raise rent is enacted?

Secretary CARSON. If Larry does not see a way out, he can apply for an exemption, which will be available to him.

Having said that, we are changing programs in such a way as to create sustainability. We don't want to reach a point 5 years down the road, where we have no ability to take care of anyone.

Ms. WATERS. Let me just say that I have heard you mention before that hardship exemptions will be available, but I do not accept that as an adequate solution, because hardship exemptions have historically failed to actually help people who are eligible for an exemption, and you have never even acknowledged this.

So I ask you again, what do you expect Larry and the tens of thousands of other seniors like Larry to do in the face of such a dramatic rent increase?

Secretary CARSON. First of all, I think the situation that you just described is not a typical situation. I don't believe that elderly and disabled people will see that large of an increase. Those are not the numbers that I have received.

Ms. WATERS. Based on your cuts, they will.

Secretary CARSON. We will be—

Chairman HENSARLING. Time.

Secretary CARSON. —We will be very happy to have our people go over the numbers with you.

Chairman HENSARLING. Time of the gentlelady has expired.

The chair now recognizes the gentleman from Wisconsin, Mr. Duffy, chairman of our Housing and Insurance Subcommittee.

Mr. DUFFY. Thank you, Mr. Chairman.

I want to just deviate from my original questions and note that the President was somewhat accurate, in that the electrical grid in Puerto Rico was not up to what it should have been. They are highly in debt. There are a lot of problems in Puerto Rico that they were dealing with before Maria hit them.

And I love the island. I am part of the Puerto Rican caucus, was part of PROMESA. But to now try to say that President Trump is shaming people on the island—if I am not mistaken, it was President Trump who sent over a request for supplemental package to the tune of \$36 billion. That came from the White House.

Secretary CARSON. Yes. And I can tell you from being in many conversations with the President and other members of the Cabinet, he is in no way thinking about abandoning them. He has put a lot of effort into that.

Mr. DUFFY. And, speaking to that point, I think it was President Obama who did just a fly by stop in, in Puerto Rico, but then went and spent days in Cuba, hanging out with a ruthless dictator, going to see baseball games, hands in the air.

Open up—open up tourism in Cuba, to the exclusion of tourism in Puerto Rico. We should first go—let's promote American citizens in Puerto Rico and dollars flowing there, instead of to the dictatorship of Cuba.

I am off my questions, but I had to respond to the ranking member's, I think, inaccurate characterization of what President Trump has done on behalf of the good people of Puerto Rico.

I want to pivot, and I don't have a lot of time. Can you talk about—when you look at HUD, when you look at the tax dollars that flow through your agency, what are you doing to be more efficient, to stretch those dollars further and help more people, but also be responsive to the taxpayers who send you money? What are you doing on those ends?

Secretary CARSON. I take responsibility to taxpayers very seriously, and we have put in place a team that understands that seriousness. We are—we have hired a COO, a CIO and a CFO—hopefully we will get through very soon, it has been named—so that we can begin to look at things from the 30,000 point of view—30,000-foot point of view, rather than just patching little things that don't seem to work, which has sort of been the way that things have been done in the past; running it, really, more like a business; assigning responsibilities to people in all of the different areas so that you don't pass the buck to someone else.

Mr. DUFFY. Refreshing. I think I heard the ranking member mention this—that people shouldn't be too comfortable in public housing—I think she was quoting you.

Secretary CARSON. Yes.

Mr. DUFFY. What did you mean by that?

Secretary CARSON. I thank you for giving me an opportunity to clarify that. We were in a transitional housing setting, and they

were getting people out three times to four times faster than other transitional housing. And I wanted to know how they were doing that. It was because they were concentrating their efforts and their resources on getting people into permanent housing, and I said, "That is a very good idea."

There was a New York Times reporter there who sort of misinterpreted that—or, actually, she did a better job, but her editors reinterpreted that—to say that Carson thinks that they shouldn't be comfortable. What a bunch of crap that is.

Mr. DUFFY. Thank you for that. Listen, I don't—I know that poverty is not comfortable. I know that you know that, as well, as someone who lived that firsthand, especially growing up.

But when we talk about being—trying to make people comfortable in poverty, as opposed to trying to incent people to get out of poverty and get into the middle class—if you look at your life experience, would you be better off if you and your mother and your family had been made comfortable to stay where you were in public housing and in poverty, or to incentivize you to become the great doctor and now secretary that you are?

Secretary CARSON. I can tell you that, at the time when my mother was pushing us, I would have preferred to—somebody, make me comfortable there. I didn't want her to make me read these reports and give her all these reports.

But in retrospect by reading, particularly about successful people in all endeavors, I began to realize what is necessary, and to realize the person who has the most to do with what happens to you is you.

And what we have to do is help more people to not only recognize that, but to give them the means whereby they can take advantage of the opportunities that exist in our society.

Mr. DUFFY. I don't have much time, and I—we talked about this in the past, but I just want to make this note: I am concerned in rural America—how programs impact low-income, homeless people in rural America, as opposed to urban America, whether it is better structures, and I think more money flows.

But poverty in rural America is just as dangerous and treacherous and sad as in urban America, and making sure there is some equity between the two—I look forward to continuing to work with you on how we can address these issues in rural America and thank you for your—

Chairman HENSARLING. Time.

Mr. DUFFY. —Service. I yield back.

Chairman HENSARLING. Time of the gentleman has expired.

The chair now recognizes the gentleman from New York, Mr. Meeks.

Mr. MEEKS. Thank you, Mr. Chairman.

Secretary, good to see you.

Secretary CARSON. You too.

Mr. MEEKS. Let me first just say that Puerto Rico needs all the help that it can get, and we need to make sure that we are doing what we need to do. And I would also say that the U.S. Virgin Islands, because I didn't hear you mention—but the U.S. Virgin Islands cannot be forgotten about.

Puerto Rico, the U.S. Virgin Islands are American citizens, and we need to do all that we can to make sure that the conditions that they are in, due to no fault of their own, but this national disaster—that HUD does what it can to make sure that these individuals get back on their feet.

Secretary CARSON. Agreed.

Mr. MEEKS. Now, our life story is somewhat similar. I grew up in public housing, which is very important to me. And the opportunity to move on there was great, in the sense that there was—looking for homeownership.

And I know—and I think that you said during your testimony that there has not been a tremendous amount of progress at relieving poverty with housing programs. I could tell you that, if it wasn't for housing programs, I probably would still be in poverty.

And I could name friend after friend after friend who grew up in the same public housing development that I did, who no longer lives there, who would be in poverty if it wasn't for a housing program, a decent place to live over their heads, et cetera, which is HUD's mission.

And when you look at the fact that individuals that were preyed upon—because I know that you also believe, as I do, that the goal is homeownership, but those individuals, many of them, who lived in public housing, who thrive to live—aspire to live in a home and own a home—they were the ones that were victimized by exotic mortgages, and they were the targets, et cetera.

And now, they are forced back into rent—to renting their apartments and homes, and need housing programs so that they can continue to have a roof over their head, so that they can get out of poverty.

And one of the pieces that I am concerned about that we have at HUD now is the DASP program, Distressed Asset Stabilization Program, which seems as though we are selling homes to private equity firms, who has no interest in making sure that we stress homeownership and make sure that individuals stay in their homes.

There, it is just about the dollar. And so I was wondering, what is your vision for the DASP program going forward? And do you—or do you expect the program to continue?

Secretary CARSON. OK. First of all, public housing is important, and assisted housing is important. The point was that, even though it is important, we need to be looking at ways that we can reform it, so that we can make more progress in terms of getting people out of poverty. But definitely, I don't want to get rid of it.

As far as the DASP program is concerned we have to, again, be cognizant of our responsibility to taxpayers. And that means not taking on and keeping a lot of properties that require a lot of taxpayer money. If we can find ways to dispose of those properties, absolutely, we want to do it.

But we have written into the regulations a requirement that people who are in those houses cannot be expelled from them for several months. So we try to give people appropriate time to be able to get out.

Mr. MEEKS. So let me just ask, could—in the DASP program then target local municipalities and non-profits in buying these

bulk homes? Because I know that they have the interests of putting people—and keeping people in those homes.

If that program was designed so that local municipalities, who have a vested interest in this, and not-for-profits—then it would be something that would encourage, I think, the same thing that you are talking about—

Secretary CARSON. Yes.

Mr. MEEKS. —Getting people into home ownership.

Secretary CARSON. I agree with you. And I know that the former mayor here in D.C. has been working on that kind of issue, and we would be happy to work with you. The—I think our goal is obviously to get that property into the hands of private citizens, if we can do that. I am—

Mr. MEEKS. Let me just—because I only have 11 seconds, I just want to get this in, because I think it is tremendously difficult—also, if you look at the public housing stock in my district, for example, with 1.1 million families living in public housing—but if you cut all the money that goes into repairing those homes—any roofs that leak, to get rid of the walls that have mildew—then there is no way that you can repair them if you don't have the money to reinvest in them, just as in a home.

Chairman HENSARLING. Time of the gentleman has expired. The chair now recognizes the gentleman from New Mexico, Mr. Pearce, chairman of our Terrorism and Illicit Finance Subcommittee.

Mr. PEARCE. Thank you. Appreciate you being here today, sir. We appreciate the work that you are doing.

Secretary CARSON. Thank you.

Mr. PEARCE. Now, recently, the New Mexico delegation sent you a letter about the vacancy in the Albuquerque HUD office. Are you making any progress on finding someone to fill that position?

Secretary CARSON. Yes, we are making very good progress on that, and you should be hearing something soon.

Mr. PEARCE. OK. Appreciate that.

Now, I visited with you before about Native American housing. It is—Native Americans are sometimes located in some of the deepest poverty areas in the country. I watched my families—maybe not the same circumstances as yours—work our way up through, out of poverty, one small house at a time.

And so, I am pretty passionate about NAHASDA, Native American housing. Just this last week, I visited two of the really good examples of what tribes can do to provide housing.

And so, again, I have invited you in the past. I would like to re-extend that invitation to come and visit, to see what tribes are doing to build houses for their own citizens and extending their mortgage rules to where banks, at—in some cases, are financing the houses on Indian reservation, which has not happened much in the past.

And so I think it is very innovative. When you talk in the broader case about your forward initiatives and the restore, these are things that I can identify as having worked in our life. I hear your story about how they have worked in your life.

And so I really appreciate your bringing your world experience in, and implementing it into a format that hopefully others can

reach. Tell me a little bit about the public-private partnerships that you visualize, and some of the community initiatives.

Secretary CARSON. OK. First of all, thank you for the work that you have done with the Native American community. I had an opportunity recently to go out to Montana and visit with some of the tribes there, as well as a multi-tribal council, and visit with some of the young people there and look at some ideas for really moving that along. And NAHASDA, with the help of Congress, will get revamped very soon.

As far as a public-private partnerships around the country, they have been amazing, and it is really the new way that we do things at HUD, rather than riding in with a big bucket of money and saying, "Build this place for these people," getting the local private sector involved in a way that they actually have significant investment, so that the success and maintenance of the neighborhood is incumbent on them, to maintain their financial benefit.

And that is the way should be, win-win situations all along. The other thing about that—some of these public-private partnerships—instead of just building a house or putting a roof on they are trying to build communities, because you need a variety of different things in order to create a healthy community in any part of the country.

And hopefully, later on, I will have an opportunity to talk a little bit about the Envision centers that we are working on—hopefully opening the first one in a couple of months—that will really add a lot to complete communities.

Mr. PEARCE. Thank you, sir.

Being a veteran myself, I noted that you said that you are concentrating on eliminating veteran homelessness. Can you give me a little bit more specifics on what is going on in that program?

Secretary CARSON. Yes. Over the last relatively short period, homelessness for veterans has been decreased by 47 percent, and is still going down.

We are working with the Veterans Administration, as well as across multiple agencies, because I believe that that is something that we can completely eliminate. The HUD-VASH program has been very successful. In fact, we had extra vouchers left over last year.

One of the things that I think would be very helpful to us, working with your committee, is having less restrictions on how we can distribute those vouchers, because there are some places where there is absolutely no one who needs them, and other places where they do need them. We need the flexibility to be able to transfer them to the appropriate places.

Mr. PEARCE. Thank you, sir.

Mr. Chairman, I see my time is expired. I yield back.

Chairman HENSARLING. Gentleman yields back.

Chair will now recognize the gentleman from Massachusetts, Mr. Capuano, for 5 minutes.

Mr. CAPUANO. Mr. Chairman. Thank you, Mr. Secretary, for being here. I would like to yield my time to the ranking member, Ms. Waters.

Ms. WATERS. Thank you very much, Mr. Capuano.

I have serious concerns about the potential conflicts of interest with regard to HUD funds that are contributing to the profits of multifamily developments owned in part by the President and his son-in-law, Jared Kushner.

Do you think it is appropriate that the President and his family are profiting from Federal Government funding intended to support low-income families?

Secretary CARSON. If you can give me a specific example, I can address that question.

Ms. WATERS. I want to know if you think it is appropriate that the President and his family are profiting from any Federal Government funding intended to support low-income families.

Secretary CARSON. I don't think it is appropriate for public officials in general to do that.

Ms. WATERS. OK. Do you stand by the President's decision not to divest himself of his interest in properties that receive HUD funding?

Secretary CARSON. I think the best thing to do is tell me specifically what you are talking about, and then I can address it.

Ms. WATERS. What have you done to ensure that HUD is properly handling these unprecedented conflicts of interest?

Secretary CARSON. Again, if you can tell me what the specific thing is, I can address it.

Ms. WATERS. These properties that are owned in part by the President or Mr. Kushner are also reportedly in very bad condition. You know Starrett City, don't you?

Secretary CARSON. Yes, I know of it.

Ms. WATERS. For example, which is part owned by the President—you know that, don't you?

Secretary CARSON. I do know that he has—

Ms. WATERS. And you know it has received increasingly—

Secretary CARSON. —A small part ownership of that.

Ms. WATERS. —Declining HUD inspection scores. You know that, too, don't you?

Secretary CARSON. Do I know what, now?

Ms. WATERS. That it has increasingly declining HUD inspection scores.

Secretary CARSON. I know that there are problems there, yes.

Ms. WATERS. But, specifically, do you know that Starrett is a problem, that they have received increasingly declining HUD inspection scores? Do you know that?

Secretary CARSON. I know what is necessary to know as the secretary of HUD, regarding that. Do I know all the numbers about Starrett—

Ms. WATERS. No, I don't want you to know all of the numbers. All I want you to know is about Starrett. Starrett—everybody kind of knows a lot about Starrett, and it is partially owned by the President.

You are the HUD secretary, and you are in a conflict of interest situation. And I just want to make sure you understand what you are overseeing. Do you know that they have declining HUD inspection scores?

Secretary CARSON. I know that they have been having difficulty.

Ms. WATERS. OK, so you know that they have not passed inspection. What are you doing to ensure that these HUD residents are not suffering as a result of poor management and lack of investment by its profit-motivated owners?

Secretary CARSON. Of course, we oversee the PHAs that are involved with that, and work with them, as we do with the ones all around the country.

Ms. WATERS. We have learned that the owners of Starrett City—the biggest project-based Section 8 contract in the country, of which Trump is part owner, are planning to sell the property. This sale is already rife with controversy, as infighting between the ownership is playing out in public.

To date, we have no knowledge of how HUD approves the transfer of Section 8 contracts when a property is not FHA insured or HUD-held, as Starrett City is, because HUD has not published its process.

HUD has the ability here to insist upon things like robust tenant protections and longer affordability requirements, but the process is frankly unknown. Have you gotten involved with this? It is a big issue.

Secretary CARSON. We have a very well-formulated group that deals with these kinds of issues, and they will deal with this one in the same way that they deal with all such issues. There won't—

Ms. WATERS. So they have not—

Secretary CARSON. —Be anything that is done differently here than has been done.

Ms. WATERS. —They have not kept you apprised of what they are doing?

Secretary CARSON. Excuse me?

Ms. WATERS. Are you satisfied with the progress that they are making?

Secretary CARSON. They will handle this as they have handled all things, and it has—

Ms. WATERS. So you don't know? They have not kept you apprised; you don't know whether or not the process is working.

So I would like a full accounting of the process that your department is planning to employ, including all decision points and who will make them, should this process move forward. And so I want you to commit to that because, again, this is a big project that is owned partially by the President of the United States.

And I want to know how this sale is going to work, what kind of protection these tenants are going to have. And you should keep yourself apprised of it, because I am going to want to know, as others will want to know, how it is progressing.

Secretary CARSON. We will be happy to work with you and your staff to disseminate that information.

Chairman HENSARLING. Time of the gentlelady has expired.

The chair now recognizes the gentlelady from Missouri, Mrs. Wagner, chairman of our Oversight Investigation Subcommittee.

Mrs. WAGNER. Thank you, Chairman Hensarling, and thank you, Secretary Carson, for your testimony this morning, for being here. Welcome; we know that you have been on the job for a brief for 5 or 6 months. We are glad to have you in front of the committee for the first time.

Secretary CARSON. Thank you.

Mrs. WAGNER. As you know, the Committee Development Block Grant program, CDBG, is HUD's third-largest program. But what is often forgotten is that the CDBG disaster relief program, which is designed to help communities and neighborhoods recover from costly disasters—while the committee has long been concerned by the previous administration's misuse of Community Development Block Grant disaster relief funds, it is important to note that Congress recently provided the program with \$7.4 billion in funding.

Understanding again, that you have only been with HUD since March and this is the first disaster relief effort you have been involved in, are you aware, Mr. Secretary, of some of the problems—some of the concerns of the program, especially regarding prior misuse of funds? And what importance do you place on making sure these programs go to the Americans who need them most?

Secretary CARSON. First, I will thank you for that question. It is very important to point out that CDBG and CDBG-DR are different programs—

Mrs. WAGNER. Correct.

Secretary CARSON. And CDBG-DR has been, obviously very, very important in disaster situations like the ones that we have recently seen. There are very good things that have been done through the program. And there are some things that perhaps are quite questionable that have been done.

It doesn't mean that we are not recognizing the things that are good that have been done, and the things that need to be done in terms of infrastructure and redevelopment and development of communities. And those things will continue to be done, without question.

So, I am not questioning the things that have been effective and that have worked. We are questioning the things that have wasted taxpayers' money. And we have a way of reforming those things.

Mrs. WAGNER. Wonderful. I am glad to hear that, Mr. Secretary.

As the chairman of the Oversight and Investigations Committee here on Financial Services, we are going to be looking into the program, and—in even a potential upcoming hearing.

And I just ask for your commitment and cooperation to work with this committee on finding those very solutions that will improve effectiveness, efficiency, and probably most importantly, taxpayer accountability regarding the Community Development Block Grant disaster relief program.

There are ways, I think, for rules—putting rules for the program in statute, limiting—putting limits on money, deadlines, perhaps recapturing of funds, even just better tracking of funds. So I hope that you will be willing to work with us.

Secretary CARSON. And all of those things will be done. And that is why we have—we put together a more businesslike approach. And we will be looking forward to working with you on that.

Mrs. WAGNER. I appreciate it.

Staying with that theme, I wanted to go back to something you said in your testimony. And I quote "While pursuing his mission to provide safe, decent and affordable housing for the American people, the HUD team is also cognizant of its vital duty to be good

stewards of taxpayer dollars and, like the medical dictum”—I love this the best—“to first do no harm.”

Having spent \$1.6 trillion in taxpayer funds since its creation in 1965, is HUD—just a broad question—is HUD making life better for American cities and other communities?

Secretary CARSON. A lot of good things have been done. There is no—I don’t—I don’t want to disparage the efforts that people have put into this. But I see all the things that have been done before as stepping stones to help us to get to where we want to be. And, I have a tendency—not to spend a lot of time disparaging people.

Mrs. WAGNER. I appreciate that. I am interested to know how HUD—how you—what your perspective is on measuring success, beyond the number of programs it serves or creates, or the amount of money spent.

Secretary CARSON. I think success for us will be, not the number of people we get into these programs, but how many people we get out of it, how many people actually climb that ladder of success and become self-sufficient. And that is what our programs are all going to be aimed at.

Mrs. WAGNER. Mr. Secretary, I find your approach refreshing and uplifting. I thank you for your testimony here today. And, Mr. Chairman, I yield back.

Chairman HENSARLING. Time of the gentlelady has expired.

The chair now recognizes the gentleman from Georgia, Mr. Scott.

Mr. SCOTT. Yes, Mr.—Secretary Carson. Tell me, why do you think President Trump asked you to be secretary of HUD?

Secretary CARSON. Probably because, before I endorsed him, we spent a lot of time talking about what was happening particularly in some of our disadvantaged communities, and how we really needed to recognize that, if we are going to succeed as a Nation, all those people have to succeed as well.

Mr. SCOTT. Let me ask you this. It just seems to me that—I believe that the President put you there to give cover to cutting and eliminating the CBDG program. Let me tell you why.

First of all, this is—this is the crucible of the whole argument. You should be at the forefront of telling the great story of success of the CBDG program, the fact that it has created and retained 386,000 jobs for low and moderate-income people.

The CBDG program has benefited 42 million low and moderate-income persons through public improvements, including senior citizens, child care centers, centers for people with disabilities, veterans, veterans with disabilities. It has benefited 133 million low, moderate-income persons through public service, like employment training. The funds have been used to assist credit-worthy working families with down payments and closing cost assistance on their homes.

You should be out here shouting the success of this program, but rather, I believe that the President has you there to give cover to cutting this program and eliminating it. Here is what you told the New York Times, Mr. Carson, when this issue was brought up.

In July of this year, you said, “I know that the CBDG has been called out for elimination.” You said that. “I know that the CDBG program has been called out for elimination.” Was it President Trump that called that out? Who else could?

My impression is that what the President is really saying is that there are problems. And you said this: "I think it was someone on his staff who kind of said, well, maybe we should just get rid of the whole CBDG program."

I am here to tell you, Mr. Secretary, I am not going to let you do that, and I believe we have enough Democrats and Republicans, because this is a bipartisan program that is doing well.

And you would do well, Mr. Secretary, to stand up and fight back in this administration. It needs help, when it comes down to dealing with hurting Americans. And you are in this position, being Secretary, not just because of what you said. "Well, even if we cut these funds, I believe that the American people are a compassionate people."

Mr. Secretary, you should know better than anyone that compassion alone won't do it. It wasn't compassion alone that got you sitting where you are right now. Somebody had to give you and your family and others a financial helping hand.

We need you to speak up and fight back in this administration. Talk that talk.

Chairman HENSARLING. The time of the gentleman has expired.

The chair now recognizes the gentleman from Missouri, Mr. Luetkemeyer, chairman of our Financial Institutions Subcommittee.

Mr. LUETKEMEYER. Thank you, Secretary Carson. I am over here. Secretary CARSON. OK.

Mr. LUETKEMEYER. Welcome.

Last year, President Obama signed into law the Housing Opportunity Through Modernization Act of 2016, legislation I introduced with my friend and colleague from Missouri, Mr. Cleaver. He is here this morning.

Part of the legislation required the FHA to streamline rules that apply to condominiums. Last September, the department published a proposed rule, and just for timing's sense, can you give us a sense of timing on the final rule, when you anticipate it being—coming out and being finalized?

Secretary CARSON. Yes. There were like 28 different sections that had to be satisfied, three-quarters of which have been satisfied. So we are coming down the home stretch on that. And it is really very important because condominium purchase is frequently the first step into homeownership.

And homeownership is a vitally important part of the economy of our Nation. And wealth accumulation—it is the primary source of wealth accumulation. The average homeowner has an accumulated wealth of \$200,000; the average renter, accumulated wealth of \$5,000.

So it is a big issue and one of the reasons that I am looking for ways to get a lot of people who are relatively complacent with renting to be homeowners. But we have to do it in a responsible way.

Mr. LUETKEMEYER. Appreciate the comment.

Last month, the Congressional Budget Office released a report entitled "Options to Manage FHA's Exposure to Risk from Guaranteeing Single-Family Mortgages." The purpose of the report was to provide policy options that are designed to further the true mission

of FHA, while also improving the agency's financial position. I assume your staff has read that report.

Secretary CARSON. Yes, they have.

Mr. LUETKEMEYER. And are you aware of it?

Secretary CARSON. I have—we have had some discussions.

Mr. LUETKEMEYER. OK. What—of the provisions that are in there, are you looking at implementing some of those? Or are you able to talk about some of it yet that you have some plans on? Or are you just still reviewing the report?

Secretary CARSON. Those are things that obviously we would be very happy to work with you on. I am looking forward to having an FHA commissioner involved in those discussions, as well.

Mr. LUETKEMEYER. You have an idea of when that individual will be appointed?

Secretary CARSON. I am hoping, very shortly. It has been quite an ordeal getting people in place.

Mr. LUETKEMEYER. I understand.

As housing costs continue to grow and demand for rental housing continues to escalate, but incomes for many low-income families remain stagnant—given these realities, demand for affordable housing has increased dramatically since the economic crisis. What innovative programs are the administration considering to provide access to housing?

Secretary CARSON. As you probably know, right now, we are only able to provide about one in four or one in three people with affordable housing who are looking for it. We have an extensive waiting list.

And one of the things that is really helping to cut down on the backlog of people are some of these public-private partnerships, particularly through the RAD programs, that have taken these places that have the big backlogs of capital improvements that need to be made and, by partnering with the private sector and through LIHTC and things of that nature—creating vast numbers of affordable units.

I was in Florida and Miami recently, Liberty Square, where they are demolishing 700 units and replacing them with 1,600 units, which are very nice and are complete neighborhoods. Those are the kinds of things that will help us to make progress, and will make progress a lot faster than we did with the old model.

Mr. LUETKEMEYER. I have only a minute left, but I was just kind of curious—you talked about the hurricane relief that you are working, improvising—providing some housing solutions. Can you elaborate a little bit more on and explain?

We have had three major storms here, and had another storm hit last week. How is your agency providing relief and help for those folks?

Secretary CARSON. This is an unprecedented situation that has occurred with this level of hurricane activity so close, one after another. We have been involved with each thing. Even before it hit, we had people on the ground—volunteers on the ground, assessing what the needs are.

How many people do we have who have been displaced? How many units are there. In Puerto Rico, for instance there are 203

multifamily units with over 2,100 units, and the vast majority of those are assisted housing.

Finding out what happened to those people, where are they located and how can we get them most quickly back into things—the initial response is through FEMA, and we work very, very closely with them. We rely upon their numbers to help with the long-term recovery aspects of what we do.

Mr. LUETKEMEYER. Thank you very much. My time is expired.

Chairman HENSARLING. Time of the gentleman has expired.

The chair now recognizes the gentleman from California, Mr. Sherman.

Mr. SHERMAN. Thank you. Lot of focus on the FHA program—the prior administration was in the process of implementing a 25-basis-point reduction of the premium that would have saved the average borrower \$500 in the first year, and more in high-cost areas like mine. A million homeowners would have benefited, and they would have saved over \$27 billion.

In your confirmation—of course the—before you were nominated, the administration halted that plan to reduce the premium by 25 basis points. During your confirmation, you agreed to look at that policy with the possibility of reinstating that 25 basis points of decline.

We also see that, back in—until 2013, you stopped making premiums when you reached a loan-to-value ratio of 78 percent. You had 22 percent equity in the property, and at that point, it was thought you did not need insurance to make insurance premium payments. That was reversed in 2013.

Are you moving toward, perhaps, reducing the insurance premium by 25 basis points? And are you examining going back to the policy of saying, “Once you have 22 percent equity, you don’t have to make premium payments”?

Secretary CARSON. Certainly both of those things are under study, being looked at very carefully. I personally don’t want to make the commitment in terms of either one of them right now, because we are so close to having an FHA commissioner. But do bear in mind that we want the prices of homeownership to be as low as possible, while still protecting the taxpayers.

Mr. SHERMAN. And how will the recent reverse-mortgage changes impact the Mutual Mortgage Insurance Fund, the FHA Insurance Fund? And do you expect additional changes to the reverse-mortgage program?

Secretary CARSON. When the reverse-mortgage program was initiated, I think it was done with very good intentions, but without really looking down the pike. And people were taking out much larger amounts of their equity, in the beginning, than was sustainable. And this was leading to a lot more problems than it was helping.

It has also resulted in a much higher default rate, and that has been a big drain on the MMIF. So the changes that we have made will sort of stop the bleeding, in terms of new mortgages—or reverse-mortgages.

And the forward mortgage program is doing extremely well. So we are doing some draining from the reverse-mortgage, but we are

doing a lot of putting into the fund from the other. So we are very close to the 2 percent right now.

Mr. SHERMAN. Thank you.

Secretary CARSON. We obviously need to watch further before we do—

Mr. SHERMAN. I want to get into—to one other issue. Beyond your responsibilities for Housing and Urban Development, you have other responsibilities under the Constitution, along with other Cabinet secretaries, particularly Section 4 of the 25th Amendment. And we all live by this Constitution.

Section 4 deals with the possibility that a President is unable to discharge the powers and duties of his office. Have you taken the time to get legal counsel to brief you on what your responsibility is, as a Cabinet secretary, under the 25th Amendment?

Secretary CARSON. I have not had any in-depth discussions of that.

Mr. SHERMAN. I would urge you to do so. This amendment was written in the early 1960's as a result of what we—life that happens, whether it is the dangers that a President faces, whether it is the health problems a President can face.

I would urge you first to get legal counsel, to know what your responsibilities are, and second, to discuss with other Cabinet officers how you would implement Section 4 of the 25th Amendment.

I yield back.

Chairman HENSARLING. Gentleman yields back.

The chair now recognizes the gentleman from Kentucky, Mr. Barr, committee chair of our Monetary Policy and Trade Subcommittee.

Mr. BARR. Thank you, Mr. Chairman. And, Secretary, welcome to the committee and—

Secretary CARSON. Thank you.

Mr. BARR. —Thank you for your service, not just as a public servant, as secretary of the department, but also as a physician in private life, and for helping so many children, and most of all, for the example that you have set that hard work, integrity, persistence—that those are values that are critical to escaping poverty. And thank you for expressing the viewpoint that many of us have, that government dependency often undermines those values.

As we have talked many times, my district in Kentucky unfortunately has one of the highest opioid addiction rates in the country. Unfortunately, the Commonwealth of Kentucky suffers from the third highest drug overdose mortality rate in America.

But the good news is that I have seen success of evidence-based transitional housing programs, including St. James Place, Recovery Kentucky, Revive, Shepherd's House. These are organizations that help individuals coming out of recovery and—transition back into the work force through job training, financial literacy and counseling services.

Unfortunately, HUD's Housing First program has not been helpful; individuals who come out of addiction rehabilitation are placed in housing situations where their neighbors are abusing the very substances that they once abused themselves. This contributes to a cycle of addiction that tears apart our communities and also is very costly to the American taxpayer.

Does HUD have any plans to address this issue, in light of the opioid epidemic? Have you considered the need for support of transitional housing programs as an alternative to the very counterproductive Housing First program?

Secretary CARSON. The homelessness is a big issue, and I think one that we as a Nation actually have the opportunity to resolve. Housing First, I think, gets a bad name because people think we are just getting people off the street, and then we are forgetting about them. And maybe some people have done it that way. We are not doing it that way now.

We believe in Housing First, housing second and housing third. Housing First—you get them off the street because you leave them under that bridge for a year, they are going to end up in an emergency room, frequently end up getting admitted.

A week's admission costs as much as a year or more of housing, so that really doesn't help us very much. There are a lot of statistics I can give you in terms of how much they cost when you don't house them, versus when you do.

But—so you get them housed first. Second, you diagnose why they were in that condition. That is critical. And, in housing third, you fix it. So, I don't think it is appropriate just to get them off the street and forget about them and move on to the next project.

Mr. BARR. Thank you, Secretary, for that answer. And I also appreciate your desire to see greater flexibility in HUD-VASH, and seeing the success in HUD-VASH. St. James Place, my district—I have invited you to come see what they are doing with HUD-VASH.

The flexibility that you are requesting—we want to help you with that, because organizations like St. James Place are using the HUD-VASH program to great success, requiring work, requiring sobriety, helping these people, not just measuring success by how many veterans they are housing, but how many veterans are leaving and graduating that program.

And again, I want to invite you to come—

Secretary CARSON. OK.

Mr. BARR. —See the good folks at St. James Place in Lexington, Kentucky.

Dr. Carson, I introduced an amendment on the House floor last month to stop overreach by your department. And that amendment prohibited HUD from using funds to implement, administer or enforce three HUD actions inconsistent with statute and negatively impacting manufactured housing.

As you can imagine, in rural Kentucky, manufactured housing is a terrific affordable housing opportunity for many of my constituents. As the leader of HUD that regulates manufactured housing, can you undertake an effort to comprehensively review all of these regulations impacting manufactured housing, and direct your team to utilize this information so that any new regulations do not have unintended cost consequences?

Secretary CARSON. Yes, we have a regulatory reform committee that has been formed at HUD for purposes just like that.

Mr. BARR. Thanks for that.

And finally, while we all abhor discrimination, the prior administration enacted regulations that you described in a 2015 Wash-

ington Times op-ed as government-engineered attempts to legislate racial equality, that create consequences that can make matters worse.

This is, of course, the disparate impact regulation. Is HUD actively working to ensure—to revise that 2013 rule, to avoid the problems you outlined in your article?

Secretary CARSON. We are making things logical, making things make sense. So, the Fair Housing Act of 1968 was one of the greatest pieces of legislation ever. I am a big fan of it, and certainly don't want any discrimination of any type going on under my watch.

But we also don't want regulatory burdens to impede our ability to get things done, and we don't want to penalize small municipalities that don't have the ability to hire consultants and do all kinds of things to comply with those issues—

Chairman HENSARLING. Time—

Secretary CARSON. So logic takes—

Chairman HENSARLING. —Time of the gentleman has expired.

The chair now recognizes the gentleman from Missouri, Mr. Cleaver.

Mr. CLEAVER. Thank you, Mr. Chairman.

Again, thank you, Mr. Secretary, for being here. And I don't want to be melodramatic, but, when I was elected, I didn't—you know the press said, "What do you want to do?" And I don't want to be speaker, I don't want to be assistant speaker, I don't want to be the person in charge of trash, whatever.

All I wanted was to be on the subcommittee on housing—only thing I ever—that was my biggest aspiration, coming to Congress. And it was because of my background, and what I had seen, and what I—what has hurt me personally, and many other people over the years, which is when people make disparaging comments about people living in public housing.

You and I grew up very similarly, so, you know—you know that that is not something that can give you great joy. My father, living in his home today, I—my goal is to never let him know ahead of time that he can watch us on C-SPAN, because I don't want him, having done all the work he did to get four kids out, to hear some of the things that people unintentionally say, because this is the house I lived in for 7 years.

Six people—my mother, my father and my three sisters—7 years. My father worked three jobs, like a lot of the other people in our community—three jobs. Willie Taylor, Nelson, Katie Boston, Percy Cleveland, Troy Criner—classmates of mine—their parents were doing the same thing.

I have never heard a person, as of today, say, "Boy, I can hardly wait to get my own public housing unit." This is a serious thing to me, my family and a lot of other people.

My goal is to do something, before I leave here, more than I have done, and hopefully, can inspire others to want to do something—to do some major overhauls of some of our policies. And Mr. Luetkemeyer and I were able to do 3700 together, and I want to ask you a question about that.

But I want it to be known that helping one family will not change the world, but it will change the world for that one family. And people want help, and they need it from time to time.

If you look at 17 in Genesis, when Abram left Ur to the land—going toward the land of promise, he stopped at a place called Haran. Many theologians call that the halfway house. He stayed there until he could find a better route to get to the Promised Land.

Public housing is Haran. A lot of people stay there until they can get someplace else. My father—my father sent my mother to college from when I was almost in the seventh grade.

I yield back the balance of my time.

Chairman HENSARLING. Gentleman yields back.

Chair now recognizes the gentleman from Michigan, Mr. Huizenga, chairman of our Capital Markets Subcommittee.

Mr. HUIZENGA. Dr. Carson, up over in this corner, over here to your right. A little further to your right, here.

Secretary CARSON. That right.

Mr. HUIZENGA. Yes. I know, with the configuration, it is sometimes difficult. And I see my colleague has just left, and I know it was very emotional for him. I think this is a very emotional issue for a lot of us.

I, in my family, have—I have a father who was born in 1921. He passed—passed away a year-and-a-half ago. My mother was born in 1931. They lived through the Depression. My mother lived in Flint—that is where she was born and raised.

Recently, with the Flint water crisis that was going on, I went and visited. I asked my mom for a couple of the addresses where her family had moved around to. And I had—I am getting choked up, myself. I had my fourth son with me, who was 13. And I stopped. I stopped the car in front of the houses, and the house—the main house that my mother grew up in.

And I had cousins and uncles and aunts that all lived there. In fact, I had one of my cousins, frankly, reprimand me and ask me, “What in the world were you doing in that neighborhood?” I know how hard people have worked to get out of those situations. I saw it. I witnessed it. I have seen it with my own mom, as well.

And it pains me that my colleague, my friend, has felt that he has heard disparaging remarks about those who live in public housing. That was his quote. I wrote it down. And he said, and this is—this is the inspirational part, “A lot of people stay until they can get somewhere else.”

And I know that is my goal. I believe that is his goal. I trust that that is your goal as well. And I think the question and the debate that we have is, how do we get that to happen? How do we allow that? Because, as I have seen some of your discussions and we have had a chance to talk in the past, not everybody takes advantage of those opportunities to move ahead, or to get out of a particular situation.

And I believe what you are doing with moving to work to allow flexibility for these public housing authorities, to attract private-sector folks in there, attract these outside opportunities, is commendable. And it is my understanding that about 55 percent of

able-bodied adults receiving housing assistance are working. And that, to me, is a key.

How do we—how do we make sure that we are giving those folks who are working hard—non-senior citizens, non-disabled, the able-bodied, working—or able-bodied individuals, you know—do you support these work requirements and those things that are being tried to sometimes nudge people out of a comfort zone?

Secretary CARSON. Thank you for asking that question. We all come at this from different angles and different life experiences. But, when you really sit down and talk to people from all these different places, we all really have similar wants and desires, and we allow ourselves sometimes to be manipulated into thinking that we are enemies.

We are not enemies. And, this issue of getting people to excel and realize the talent that God has given them—it is a serious issue because, there are those who would have everybody believe that you are a victim, and that everybody is against you.

We need to be concentrating on how can we actually get people to climb that ladder of opportunity. We have to recognize things like education. It doesn't matter where you come from or your background, if you get a good education in this country, you are going to write your own ticket. We need to emphasize that. That needs to be integrated into our living situations, as well.

Health care needs to be taken out of the political arena. We need to be putting clinics into our neighborhoods so that people don't use the emergency room as their primary care. That costs five times more, and also, you wind up with all the stage IV diseases because people don't have consistent care.

All of these kinds of things, we can solve, if we as Americans are willing to work together and not allow ourselves to be polarized.

Mr. HUIZENGA. In closing seconds, I believe that we need to look at how current housing assistance programs either incentivize that, or hinder that opportunity. And hopefully you will be able to talk more about that.

Secretary CARSON. Absolutely.

Mr. HUIZENGA. Thank you.

Chairman HENSARLING. Time of the gentleman has expired.

The chair now recognizes the gentlelady from New York, Ms. Velazquez.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Dr. Carson, I am here. I am the only member who is a Puerto Rican American citizen who sits in this committee. So, since I don't have the—President Trump in front of me, I just would like for you to let him know how shameful all the tweets that he put out this morning—how offended and insulted I am as an American citizen.

And I would like to suggest that the President get some history lessons regarding the Puerto Rican relationship with the United States. In 1898, American troops invaded Puerto Rico. American troops took over Puerto Rico.

In 1917—so Puerto Ricans didn't invite the United States Armed Forces. It was invaded. So with that invasion comes responsibility. In 1917, American citizenship was imposed on Puerto Ricans—timely, so that they could join the Armed Forces and fight in World War I.

So those tweets are unPresidential. The most basic, fundamental responsibility of the President of the United States, the President of the most powerful country in the world, is to show up and make—and provide the assistance and the relief that American citizens needs.

They don't need this type of insult. And by the way, why is it that he doesn't put the same tweets when it comes to Texas or Florida? You invaded Puerto Rico. We invaded—the United States of America invaded Puerto Rico.

My uncle participated in the Korean War. We shed blood to defend the freedoms that every American in this country enjoys. So to kick fellow citizens when they are down is shameful.

You said that you are providing assistance for those who lost their homes in Puerto Rico. I hear from the National Low Income Housing Coalition and affordable housing groups on the island that the Federal Government's housing response has not been sufficient.

What are you doing? In my hometown, Yabucoa, we lost 10,000 homes that were destroyed. What kind of assistance are you providing?

Secretary CARSON. Thank you for asking that question. And, I too sympathize greatly with the people who have lost so much. There are 114,000 single-family homes that are FHA-backed, and that—many of them have sustained significant damage.

Our people are on the ground, including one of our associate senior assistant secretaries, Nelson Bregon, who is a Puerto Rican and has been extraordinarily helpful to me. He has moved over there. We have dozens of others—

Ms. VELAZQUEZ. So what kind of assistance are you providing for those who lost their homes?

Secretary CARSON. —Dozens of others who have gone over there.

And what we are providing is insurance for those who have lost their homes through Section 203(h), 203(k) for rehabilitation of homes.

Ms. VELAZQUEZ. Dr. Carson, are you working with some housing groups on the ground?

Secretary CARSON. And I will be going to Puerto Rico myself next week.

Ms. VELAZQUEZ. That is great, but that doesn't provide the assistance that they need today. People are dying.

Secretary CARSON. I am very—

Ms. VELAZQUEZ. And it is the reason—it is the rainy season in Puerto Rico. I understand that FEMA promised to bring parts for roofs that were lost. It is the rainy season. People are dying today.

Secretary CARSON. FEMA is the first responder there. They are gathering information. We are working with them in that process for the long-term recovery.

Ms. VELAZQUEZ. Dr. Carson, when you were nominated by the President, I said, "What does he know about housing?" But then, you are a doctor, and you said that you are going to take care of those who are suffering from health issues in public housing.

I see a disconnect between your confirmation hearings and your commitment to address the issue of asthma, respiratory illnesses in public housing, and cutting \$2 billion out of the capital and operating funds for housing.

Do you believe that—

Chairman HENSARLING. The time of the gentlelady has expired. The chair now recognizes the gentleman from California, Mr. Royce.

Mr. ROYCE. Thank you, Mr. Chairman. Mr. Secretary, at the outset here, I just wanted to invite you to come to my district, especially out to San Bernardino, California, where the housing authority is working on a Moving to Work program.

It is an agency that has been up and running for some time there, and it is running very, very effectively. And they have had a number of successful self-sufficiency programs, including homeownership programs and term limits on those, and work requirements. We would love to have you see this firsthand, if you could.

Secretary CARSON. Sure.

Mr. ROYCE. Wanted to extend that. And I was wondering if you could talk a little more about what the department is doing to advance MTW, as it is called, the Moving to Work program, and other sustainable best practices which lift people out of their situation, and on to economic independence.

Secretary CARSON. Sure. Thank you for that question. The Moving to Work initiative really was to provide various municipalities with the ability to be flexible, recognizing that they were probably the people who best knew what their needs were. And this really allows for a significant amount of innovation.

The first 39 districts that benefited from this have produced some pretty good results, and that has resulted in us extending the program to another 100 communities over the next 7 years.

I am hopeful that we will be able to go far beyond that. And we look forward to working with you on ways that we can expand that program. We are looking for everything that is highly effective.

Mr. ROYCE. Very good.

Secretary CARSON. And, some of the programs that have been talked about here this morning have had some components that are highly effective. We are going to make sure that we learn from those things and continue to push those things. There may be different mechanisms to do it, but we are not going to abandon those things. That would be foolishness.

Mr. ROYCE. And two other questions. One is the department is reviewing its policy to allow PACE liens on FHA finance loans. As you know, the defaults on these loans are on the rise. And I was going to ask if you could comment on when you might make a decision on whether to withdraw the current mortgaging letter or clarify how the FHA will treat these PACE loans.

Secretary CARSON. Obviously it is a serious issue when you put in the first lien position somebody other than the major lender—

Mr. ROYCE. Exactly.

Secretary CARSON.—That is an issue.

Mr. ROYCE. It is very concerning to us.

Secretary CARSON. Yes, that is very concerning to me too, and we are taking that into consideration. We will have a decision on that soon.

Mr. ROYCE. And one last question—as you know, Mr. Secretary, the GSEs have engaged in significant credit risk sharing transactions. This shields American taxpayers to some extent, and Gwen

Moore and I have a bill to get them to do even more in terms of that approach.

I have been told that the FHA may have the authority to do similar risk sharing transactions, or at least purchase coinsurance to reduce the risk to the public.

I think this could be a very constructive means of reducing taxpayer exposure. Would you support legislation here or regulatory clarification of FHA's existing authority to explore credit risk sharing?

Secretary CARSON. We have already engaged in some discussions on that, are continuing those. I am looking forward to having an FHA commissioner, but I agree with you that that is an area ripe for discussion and movement.

Mr. ROYCE. Thank you, Secretary Carson, and I will yield back. Appreciate it.

Chairman HENSARLING. Gentleman yields back.

The chair now recognizes the gentlelady from Ohio, Mrs. Beatty.

Mrs. BEATTY. Thank you, Mr. Chairman, and thank you, ranking member.

And, to the witness, thank you for being here. I have a series of questions and, for the sake of time to get through them, many of them, Mr. Secretary, I will ask you to simply affirm or deny with a yes or no vote.

On July 12th, I sent you a letter, signed by more than 15 or 20 of my other colleagues as Members of Congress. And in that letter—and I want to, Mr. Chairman, enter that letter into the record.

Chairman HENSARLING. Without objection.

Mrs. BEATTY. So first of all, I want to know, did you receive the letter and read it?

Secretary CARSON. I don't know what was in the letter, so I can't tell you whether I received it.

Mrs. BEATTY. OK. It was requesting that you follow through on your predecessor's decision to lower these annual premiums, citing the fiscal strength of the fund and historically low homeownership rates, especially among first-time home buyers.

Secretary CARSON. Certainly I have had some correspondence on that. So it was probably your letter.

Mrs. BEATTY. So did you respond to it and I didn't get it? Is that what you are saying? You read it. Did you respond to it? Or I am—

Secretary CARSON. I personally did not. Did my staff respond to you? I don't know.

Mrs. BEATTY. I think we did, from—some intergovernmental relations person sent us a paragraph. It was—it didn't—it did not, in my opinion—it did not answer my question.

Secretary CARSON. OK, I can answer for you now.

Mrs. BEATTY. I guess the reason I am asking you this—is it your practice, when members of the U.S. Congress sends a letter personally addressed to you, that you pass it on to a congressional intergovernmental—I don't know what that person does—relations person, to say that they have received it? I did not address it to them.

Secretary CARSON. Yes, many letters that come do not—

Mrs. BEATTY. Many letters from Members of Congress—

Secretary CARSON. —Do not come—

Mrs. BEATTY. —On the committee that you are testifying before?

Secretary CARSON. —Do not come personally to me.

Mrs. BEATTY. No, this was sent personally to you.

Secretary CARSON. I am saying, it may be sent personally to me, but it doesn't actually end up in my hands. Somebody else—actually looking at it.

Mrs. BEATTY. So, you don't get—people write me personally all the time. But if a member of—so let me ask a different question. So if a Member of Congress is writing to you about issues that you are coming to testify before this committee—you get it, and it doesn't get in your hands, and you say "Oh well, so what," and you don't answer?

Secretary CARSON. No, someone else actually goes through it first—

Mrs. BEATTY. OK. So, let me ask a different question—

Secretary CARSON. —And then—and then they bring it to me.

Mrs. BEATTY. —For the sake of my time. No. It is my time.

So I am going to resend the letter, and I want to ask you, would you answer the letter that is coming from me and 20 other Members of Congress?

Secretary CARSON. If I get the—if the—when the letter is brought to me, we will give you a response.

Mrs. BEATTY. No—we, or you? I would like to ask, would you respond to my letter?

Secretary CARSON. I can respond to you right now.

Mrs. BEATTY. I have some other questions. So maybe afterwards, I will leave the letter with you and you can respond to me.

So, oftentimes, when members come here, you represent not only a secretary of housing, but the President. So I have a question for you. We have spent a lot of time talking about Puerto Rico and the Virgin Islands, so this can be yes or no.

Do you think it was Presidential for President Trump to throw paper towels, when he was in Puerto Rico? Yes or no.

Secretary CARSON. That is not a yes or no question.

Mrs. BEATTY. Sure it is. Yes, it was Presidential, or no, it was not Presidential?

Secretary CARSON. I don't believe—

Mrs. BEATTY. Second question; do you think it was Presidential when President Trump talked about two members in Puerto Rico—that they were messing up the budget?

Secretary CARSON. You know—

Mrs. BEATTY. Was that Presidential, yes or no?

Secretary CARSON. —I think it would be wonderful if we talked about what we can do to help our people—

Mrs. BEATTY. Do you think it was Presidential—

Secretary CARSON. —Rather than divide them.

Mrs. BEATTY. —When he asked the people in Puerto Rico how many people had died, and then compared it to a greater number in Katrina?

Secretary CARSON. Again, I think we should be talking about positive things and what we can do to ameliorate the situation.

Mrs. BEATTY. I think you are absolutely right. And for me, positive, like Congressman Cleaver—all my life, I have wanted to serve on this committee. I didn't live in public housing, but I dedicated

more than 25 years of my life—my very first job, professional job, was working in public housing.

So let me move to something positive. In this committee, Chairman Clayton of the Securities and Exchange Commission testified before this committee. He said, although he had not asked for more funding in Fiscal Year 2018, that in Fiscal Year 2019, he would be requesting more money.

In Fiscal Year 2018, the budget request from HUD, you requested a 15 percent cut to your budget. Will you be asking for an increase in your fifth—in Fiscal Year 2019? It is positive, so I assume you are going to tell me yes.

Secretary CARSON. We may well. We continue to ask for what we need, based on information that we derive, so evidence is what drives our budget request.

Mrs. BEATTY. Thank you, and I yield back.

Chairman HENSARLING. Time of the gentlelady has expired.

The chair now recognizes the gentleman from Florida, Mr. Posey.

Mr. POSEY. Thank you, Mr. Chairman.

And, Mr. Secretary, thank you for appearing today, and thank you for the character and the integrity, the heart and the class and the aspirations that you bring to your position.

Many people would say that you had maybe one of the best opportunities in the world to become a failure, to be dependent on government. You proved all the critics wrong, and you became the model of success, of achieving the American dream, and proof that anyone can do it. And I applaud you for that. I think a lot of people applaud you for that, and I applaud you for trying to help others do that, too.

Secretary CARSON. Thank you.

Mr. POSEY. Unfortunately, there are a lot of people that somehow benefit from people being dependent on government, because they think it keeps them being elected. I think self-sufficiency is the way to go, and you obviously do too. And thank you for your efforts to transfer people from dependency to self-sufficiency.

I want to apologize for some of the mean and nasty comments made toward you today. They are undeserving. They are attempts to shame you, while they criticize the government for attempting to shame somebody—the President for attempting to shame somebody. That may be logical to some people, but I am sure it is probably foreign to you, and you are probably wondering about that. Most intelligent people would.

Secretary CARSON. Yes, I am used to it.

Mr. POSEY. Yes. Most intelligent people would.

But we all have the same people in our districts. They hate the President, and they hate anybody that doesn't hate the President. So we are going to—they are going to be around for a while, so we just get used to it and do the right thing for the right reasons, which you have a history of doing.

Your forward initiative to reimagine how HUD works, to restore the American dream and to rethink American communities is an awesome plan. And my question to you this morning is, how can we become more engaged in helping you achieve those goals?

Secretary CARSON. Thank you very much for your comments, and for that question.

I will be coming back to you, particularly as we continue to analyze what works, because, in order to be efficient, we need the ability to be flexible and to be able to address things quickly so that we don't have to go through so many different channels.

We are not just going to come to you vaguely with something like that. We are going to say specifically, "We need to do X and Y so we can get to Z quickly." So just be open to that.

We want to work with you. We want to benefit from your collective knowledge, experience and the fact that you represent the people. And we are public servants. That means we work for the people, they don't work for us. And therefore, we need to know, through you, how we can best serve them. But we want to work with you to do things in an effective way.

Mr. POSEY. Thank you, Mr. Secretary. Clearly, you have a heart of a servant, and you can always count on me, I know, and probably most the people here, for our support.

Secretary CARSON. Thank you.

Mr. POSEY. God bless you.

I yield back, Mr. Chairman.

Chairman HENSARLING. Gentleman yields back.

The chair will now recognize the gentleman from Washington, Mr. Heck.

Mr. HECK. Thank you, Mr. Chairman.

Secretary Carson, I have been interested, since I first arrived here, in the reverse-mortgage market, and not just because it is called the HECM program as an acronym. We were able to pass legislation giving you more flexibility at the department to run the program, with an eye toward improving its financial performance.

But it has always been hard to get a good sense of how the reverse-mortgage program is doing, because the actuarial numbers swing so wildly from year to year. In addition, although the program is small, compared to the FHA forward mortgage program, the swings in reverse-mortgages are so large they are pushing around the capital ratio, as you know, for the MMI Fund and affecting mortgage insurance premiums for the more stable forward program.

I know you haven't been though a reporting cycle yet for these actuarial reports. But I wanted to get your initial thoughts on whether you would be open to changes in the framework.

I am thinking about asking GAO to consider options, including moving the reverse-mortgage program out of the MMI Fund, or creating new forecasting assumptions for the reverse program that would create more stability over time and from year to year. What are your impressions?

Secretary CARSON. I think that is a very worthy thing to pursue. We are looking at, just over the last year, \$7.7 billion out of the MMI because of HECM.

The changes that we have made as of this month, and all the ones that will be going forward from this point, I don't think will have that problem. But we still have the residual problem there. So yes, I believe that would be a worthy pursuit.

Mr. HECK. Second, I want to ask about housing. I think the cost of shelter is kind of rapidly going out of control in a lot of communities, especially my part of the country. I think part of the reason

for that, personally, is that we have poorly designed Federal structure for dealing with housing policy, because nobody is looking at the whole picture at all.

There are no policymakers charged with looking across the whole spectrum. It is incredibly siloed. That is not just an observation on the number of programs; I am talking about policymaking itself. So even if you look at Congress, for example, Federal mortgage assistance is spread across Agriculture Committee, this committee and the Veterans Affairs Committee.

Even within this committee, the primary mortgage market is overseen by Financial Institutions Subcommittee, while the secondary mortgage market is in the Housing and Insurance or Capital Markets, depending on who is doing the securitizing.

It may be that a bunch of narrowly tailored programs is the best way to address housing costs, although I frankly doubt it. But as a result of the silos, I think we address the problem—each of the problems in isolation.

So we separate homeownership from rentals, market-rate housing from affordable housing, and homelessness from “the rent is too damn high.” But my view is housing is an ecosystem, and all the parts are connected, and especially through housing prices.

You are new to this, this whole world of housing policy, and so my hope is that you are kind of looking at it with fresh eyes. I am wondering if you see the same thing I do, that we deal with this in a fractured and fragmented and siloed way.

And if you do, do you have any ideas about how we might be able to address it so that we can all get about the business of ensuring—not just keeping the dream of homeownership alive for Americans, but also ensuring that everybody has a good place, a good shelter, a good home in which to reside?

As I say, the number 1 priority here ought to be, blanket, pillow, roof. If you don’t have a pillow to lay your head on, a blanket to cover yourself with and a roof over your head, all the other problems in life get amplified very considerably.

Secretary CARSON. We do have to make sure that we will be willing to work across different silos so that we can—

Mr. HECK. Do you see it as a problem?

Secretary CARSON. —We can address it holistically. In the past, we have not done that. I have been engaged with—several conversations with Secretary Mnuchin, as well as the NAC, the Domestic Policy Council, Department of Agriculture, to develop more holistic approaches to these problems. I think that is the only way we are going to get them solved.

Mr. HECK. I look forward to working with you on that. I yield back the balance of my time, Mr. Chair.

Chairman HENSARLING. Time of the gentleman has expired.

The chair now recognizes the gentleman from Florida, Mr. Ross.

Mr. ROSS. Thank you, Chairman.

And, Secretary, thank you for being here, and again, I appreciate all your efforts.

You know—and where I am from is central Florida, and Tampa Bay area has made quite an expansion in public housing, and has done, I think, a very good job, to the point where they have a

waitlist of 13,000 people. And, we are trying to expand it, we are trying to work more with, of course, your office.

But one of the things that I have a concern about is the voucher recipients and the portability of vouchers. And I guess my concern is that you have regional housing authorities—how can we best design these so that we can get some of these people off a waitlist and, if nothing else, consolidate them, but allow them to have better access to affordable housing through this voucher program?

Secretary CARSON. That is obviously a huge issue and a big question, how do we get those waiting lists down? Should we be prioritizing certain types of people, rather than just have a consecutive waiting list?

Those are questions that we are examining now. We will be happy to work with you on those. But, again, the key, I think, is the public-private partnerships: programs like RAD, which has brought in \$4.3 billion of private money to get rid of some of these capital backlogs and to create even more housing.

We need to create win-win situations, even utilizing LIHTC. In the new tax plan that has been put forward, they recognize how important LIHTC is, and have included a way to make sure that it remains profitable for people, because this is how we are going to get out of this problem. This is how we can get out of that backlog.

Mr. Ross. I agree, and I—we have a good voucher program. I think that it needs to be able to follow the jobs, because that is important, because of course work brings dignity. But the incentive of private capital coming into the market to partner with HUD is very crucial.

And I guess my concern is we have seen some successes in that regard, and not only the capital, but also the discipline and the counseling that is necessary. The Family Self-Sufficiency Program, for example—

Secretary CARSON. Right.

Mr. Ross. —One that I think—that has shown some success. Do you think that that has been a program that we should continue to not only fund, but to expand?

Secretary CARSON. Absolutely. Anything that has to do with creating self-sufficiency—and we are looking for innovative approaches for that. One of the things that I am looking at in the future is taking a sliver of the monthly subsidy, and putting it in what would be like an escrow.

Mr. Ross. Yes.

Secretary CARSON. And that would be used for the routine maintenance of that unit. So if there is not a lot of routine maintenance, it just continues to grow and grow. But if the holes poked in the screen and the light bulbs are broken and paint—door needs to be painted, everything—it is not going to accumulate.

But you let it accumulate, you let the people know how much money is in it, because that incentivizes them to really take care of their property, and if they leave public housing within 5 to 10 years, they get that money for a down payment.

That has the dual effect of allowing people to get into housing, but it also teaches them the responsibilities of homeownership, be-

cause they start acting like homeowners in order to make it accumulate.

Mr. ROSS. It changes the culture. It changes the culture. It grows appreciation and builds a base of dignity and ownership, and I think that is—when you stop—talked on your opening about innovation is key, I think innovation is the absolute compass that we need to be following, in order to change a model that has not worked very well over the last 50 years.

Secretary CARSON. Exactly.

Mr. ROSS. Finally, the Moving to Work program—what more can we do for those that are non-elderly and are work-capable, to provide them with a Moving to Work incentive?

Secretary CARSON. The key thing that we have to recognize is that people have tried different iterations of that over the years, trying to—you work and you get out—and as they start climbing the ladder, we pull the rug out from underneath them.

Mr. ROSS. Right.

Secretary CARSON. What we have to do is we have to let them get far enough up the ladder that they are not even looking down the see if the rug is there anymore. So we just need to understand how that works, and the timing of it.

Mr. ROSS. I appreciate it. I think that program—I would like to see it expanded. It is a pilot program right now. And we have seen it in Orlando.

Secretary CARSON. Absolutely.

Mr. ROSS. It is working there. With that, my time is up and I will yield back. Thank you, Chairman.

Chairman HENSARLING. Gentleman yields back.

Chair now recognizes the gentlelady from New York, Mrs. Maloney.

Mrs. MALONEY. Thank you very much, Mr. Chairman and Ms. Ranking Member. I would like to build on Congressman Ross's questions about public-private partnership. And you have discussed right now the importance of it and your support for it in addressing our housing needs.

But in your 2018 budget request, you target programs that encourage these partnerships, personally to leverage, as you said, is so important—there are not enough dollars out there in affordable housing, and private housing organizations really depend on these government programs.

One in particular, 202, senior housing—there is always a waiting list by seniors needing the housing, but also developers who are willing to put it up. But the funding hasn't been there. I am glad to see there is more in this budget. But still, it has been cut back dramatically, quite frankly, from when I first came to Congress.

But how can you think the administration can encourage public-private partnerships if its budget largely cuts out the government's role, and cuts the funding for the government's role in the relationship?

Secretary CARSON. All right, thank you for that question. I understand the basis of it.

Here is the situation. Would we like to have almost unlimited money to deal with these problems? Absolutely. That would be ideal. But we don't, and we have a \$20 trillion national debt.

Now, I am not going to have to pay it. You probably won't either, although you are younger than I am. You may have to pay some of it. But your children and your grandchildren will—

Mrs. MALONEY. That is true, and I want to get on to another question. You know—but if you put your money into things that leverage more money and more housing, it is certainly a dollar well spent. And the budget does cut the private-public partnership section, and I—my request is to see if we can work together to see if we can restore some of it.

Secretary CARSON. Absolutely. I would be happy to work with you on it.

Mrs. MALONEY. I also—I want to invite you to my district. I represent a lot of HUD projects. My mayor, my city council president—everybody is asking you to come and take a tour. So if you are ever in New York, we would love to set something up for you to look at some of the things we have going on the ground.

Secretary CARSON. OK.

Mrs. MALONEY. But my district is very different. As you know, in New York, people don't live horizontally. We live vertically. And we live in co-ops and we live in condos. And people are asking for you to revisit opening up assistance to first-time homeowners. That has been one of your themes.

And right now, especially seniors are asking if the co-op owners could be part of HUD's reverse-mortgage program. This is the type of housing I represent, and right now, co-op owners are unfairly excluded from FHA's reverse-mortgage program, and I would say for no real reason.

So my question is, will you consider allowing owners of housing co-ops to participate in FHA's reverse-mortgage programs?

Secretary CARSON. I certainly don't see any reason why we shouldn't engage in that conversation with you.

Mrs. MALONEY. That is great.

Secretary CARSON. And let's look at the numbers, and let's see what works, because I am for doing things that make sense.

Mrs. MALONEY. Thank you very much, because people are requesting that, particularly seniors, and we have not been able to achieve that. So this would be a great breakthrough. Thank you for—

Secretary CARSON. Absolutely.

Mrs. MALONEY. —Wanting to look at it.

As you know, FHA plays a countercyclical role in the housing market. It expands in times of market stress, which we went through in 2008, when everyone else is pulling back, and it shrinks in times of market stability.

And the most recent annual report shows that FHA's market share has actually diminished substantially since its peak during the housing crisis, and has stabilized in these past few years.

But despite this, some people continue to claim that the FHA is playing an outsized role in the housing market, and demand that FHA shrink. So do you agree that FHA is currently playing too large a role in the housing market? Or, you know—

Secretary CARSON. Yes. Right now we are at about 13.2 percent, which is sort of back down to the pre-housing-crisis level. It expanded during the crisis like it should. It is sort of like an accor-

dion, right? It is a buffer, and that is the way that it is supposed to work.

That is the ideal situation—doesn't mean that there aren't some reforms that we are looking at that make it even more efficient, but generally, it has a very positive balance, and it allows people to be able to get into homes, particularly first-time homebuyers, a lot of minorities. And we want to make sure that we maintain that strength.

Mrs. MALONEY. Thank you very much.

Secretary CARSON. OK.

Chairman HENSARLING. Time of the gentlelady has expired. The chair wishes to inform all members that we will be excusing the witness at 12:30 today.

Chair now recognizes the gentleman from North Carolina, Mr. Pittenger.

Mr. PITTINGER. Thank you, Mr. Chairman.

Mr. Secretary, thank you again for being with us today. Your demeanor and patience has been exemplary. I have so much appreciation for the focus and clarity of mission that you bring. Your life experience offers so much for each of us to pay keen attention to.

I particularly appreciate all of your continued efforts on behalf of those individuals who are suffering, of course, from the national—the natural disasters that have occurred in our country.

We have seen unprecedeted damage that has been caused by Hurricane Harvey and Irma and Maria. Our hearts go out, obviously, to the victims of all of these awful storms.

As you are very much aware, a year ago, Hurricane Matthew struck North Carolina with subsequent thousand-year floods, severely damaged 98,000 homes and 19,000 businesses. We still have 150 or so families that are still living in FEMA trailers.

It has affected our poorest counties in our State and, frankly, some of the poorest counties in the country: Bladen and Cumberland and Robeson, some of those counties, I know, that we hope to show you, hopefully, in early November, when you can return to our State.

What I would like to ask you, Mr. Secretary, is, what can you say in terms of what the department is doing on long-term disaster relief for these areas? They are not in the media, and they are not the—on everyone's attention, but the pain and suffering is still there. What can you say is being done currently?

Secretary CARSON. Thank you for that, and thank you for your extremely good advocacy for the people of North Carolina.

I did have a scheduled visit there—

Mr. PITTINGER. Sure.

Secretary CARSON. —As you know, recently. And then this little problem called Harvey came up. But we are rescheduling that visit to look at that very issue in terms of the long-term recovery function. We didn't get the final plan from the State, in terms of recovery, until the 21st of April—

Mr. PITTINGER. Yes, sir.

Secretary CARSON. —Of this year. So we are working with your State and local officials already, and we will continue to do so. But we have not, by any stretch of the imagination, forgotten about that just because these other ones have come up.

Mr. PITTINGER. Are you comfortable that HUD has mechanisms in place in not just our State, but all States, to ensure the money is spent in a fiscally accountable and timely way?

Secretary CARSON. For some reason, I am not hearing well.

Mr. PITTINGER. Are you comfortable that the States have accountable structures in place, that the taxpayer money is being used in an appropriate way.

Secretary CARSON. Let me put it this way. At the State level, there seems to be more accountability than there is, frequently, at a lower level. So one of the things that I am finding just in looking at past data, in terms of efficiency—working with the State tends to be a little bit better than working with 100 different municipalities.

Mr. PITTINGER. Yes, sir.

And my district, as you may be aware, includes Charlotte. It is a major metropolitan area of our State. I have seven other additional rural counties, and I would like to ask you, what is HUD's involvement in these rural areas, particularly, and the value that it can bring to these communities?

Secretary CARSON. One thing that sometimes people assume is that HUD is not interested in rural areas because it is called Housing and Urban Development. But obviously, if you look at programs that we have and those in association with USDA, we do pay quite a bit of attention—maybe want to rename the department, at some point, to reflect that.

There are particularly large issues with poverty and with drug use in the rural areas, and we are working with—across the silos, with the Department of Justice, Department of Agriculture, on those issues.

Mr. PITTINGER. Thank you, Mr. Secretary, and thank you again for your great spirit and your clarity of mission and dedication. We truly appreciate you.

Secretary CARSON. Thank you. Thank you.

Mr. PITTINGER. I yield back.

Chairman HENSARLING. The gentleman yields back.

The chair now recognizes the gentleman from Michigan, Mr. Kildee.

Mr. KILDEE. Thank you, Mr. Chairman.

And thank you again, Secretary Carson for being here. As I mentioned in my opening statement, and as we chatted briefly before the beginning of this hearing, I am from Flint, Michigan, a community not far from where you grew up, and a community that has been struggling in many ways for decades, but in a particular way for the past few years as a result of the water crisis.

And you referenced in your testimony that the department, under your leadership, intends to take on some of these issues of exposure to toxic chemicals in housing. And lead is a really significant issue. As a physician, the impact that lead exposure—high levels of lead exposure can have on the brain of a developing child.

And so this tragedy, while in many—in the eyes of many is sort of over—it is not in the news every day—it is an ongoing struggle, not only in terms of the infrastructure needs, which are slowly being met; the health and development needs, which are not en-

tirely met; and the redevelopment challenge that this community faces as a result of a real gut punch to the community.

So the challenges that it was already dealing with have been exacerbated by being known as a city of 100,000 people that had poisoned water. The impact on housing values, the impact on neighborhood development is palpable, and it is dangerous.

In the previous administration, we had kind of an all-hands-on-deck approach to Flint's recovery. And I was pleased to see, during the campaign, when then-candidate, now President Trump visited Flint, he said, and I am quoting him—this is regarding Flint—"We will get it fixed. It will be fixed quickly and effectively." And as I stated, Flint is not fixed yet.

I reached out to the White House very early on and asked for a point person on Flint's recovery, because there is a legitimate and important Federal role in this. Have not received a response. It is important that we have some sense of who we can work with.

To your knowledge, is there a point person? I haven't been able to get an answer out of the White House. I wonder if you have a sense of that, if there is a point person that we can work with.

Secretary CARSON. I agree that there needs to be one. And I would be certainly willing to look into that for you.

Mr. KILDEE. I appreciate that. And perhaps, as we mentioned, you and I could find time to meet. I have a real interest in the work of your department broadly, and I would like to share some thoughts with you, but specifically, to talk about how my community can continue to receive the support that it surely deserves. So, if we can find time to do that, I would enjoy getting on your calendar. So thank you for that.

And I know this has been raised. I raised it a bit. The pre-conditions that led to the crisis in Flint are not unique to Flint. We have seen a lot of older communities—and I heard the reference to not just traditional large cities, but small towns as well—that have not seen the kind of private investment, and that still do require some public support for their development challenges, in order for them to be fully competitive and make the contributions that they should make.

So I am really concerned about continuing deep cuts to the Community Development Block Grant program, for example, a highly flexible program, a former Federal investment that really defaults to the States and, in many cases, directly to local jurisdictions, making decisions for themselves as to what their needs might be.

As in the case of any program, there could be problems. But what I fear is that this administration—and I am really interested in your take on this—is taking a "throw the baby out with the bath water" approach.

This is a really important program that is essential to lots of communities. And can you help me understand what your position is on this important program?

Secretary CARSON. Yes. My position is we should save the baby. Don't throw it out with the bath water.

The fact of the matter is, as I mentioned before, there are—there are multiple good things in these programs that have been very effective, some of which you have just mentioned. We will make sure that those things continue.

Mr. KILDEE. So long—I appreciate that, so long as we don't take the approach that the only way to help the programs is to just make them so small, that they are not consequential any longer.

I agree that there is a need for change. I have talked to the ranking member about changes in CDBG that I am interested in pursuing. So long as the solution is not simply to essentially eliminate the program over time, I am happy to work with you on that. Thank you very much.

Secretary CARSON. Absolutely.

Mr. KILDEE. Thanks for your testimony.

Chairman HENSARLING. Time of the gentleman has expired.

The chair now recognizes the gentleman from Pennsylvania, Mr. Rothfus.

Mr. ROTHFUS. Thank you, Mr. Chairman.

Good morning, Mr. Secretary. Welcome.

Secretary CARSON. Good morning.

Mr. ROTHFUS. My district is home to an organization called HEARTH, which provides vital transitional housing services to victims of domestic violence. For more than 20 years, women and families in Allegheny County fleeing domestic abuse have had a reliable and caring place to go to that provide temporary shelter and protection from danger.

HEARTH has provided hundreds, if not thousands of my constituents with a safe space and the support they need to transition to permanent housing. HEARTH has a compelling mission, and it fulfills a priceless service for the community.

This program has a strong track record, because it provides residents with the supportive services they need to transition to self-sufficiency. Despite this, HEARTH and similar providers have lost or are in danger of losing their HUD funding, unless they abandon the services and high standards that have contributed to their success.

This ties in to the Housing First policy that my colleague, Mr. Barr, raised earlier in the context of drug treatment programs. Under your predecessor, HUD adopted the Housing First policy and de-prioritized programs that failed to conform to that orthodoxy. Indeed, continuums of care were told that HUD will be less generous in funding transitional programs.

I asked Secretary Castro about his position on transitional housing programs like HEARTH and their future place in our housing assistance toolbox. I greatly—I would generally characterize his response as a full endorsement of the Housing First policy which, again, is going to entail a de-prioritization of transitional housing.

I would appreciate your taking a look at this issue, and I would appreciate your feedback on whether you think that we have to really keep our eye on the ball on transitional housing, in the context of this Housing First policy.

Secretary CARSON. I would be very, very happy to work with you on that. But everything that we are going to do is going to be driven by the numbers, driven by the evidence. What is actually effective?

And again, when I talk Housing First, I may be talking something a little different than what the previous secretary was talking.

Mr. ROTHFUS. Yes, we want to follow up with you on that because we want to make sure that this orthodoxy that he was going after isn't really negatively impacting on really good programs—

Secretary CARSON. Right.

Mr. ROTHFUS. —That have been very beneficial to our community.

Secretary CARSON. I agree.

Mr. ROTHFUS. A number of folks have mentioned the Moving to Work program. We have had hearings about that, and it has been discussed today. I believe that this program offers flexibilities that can help public housing authorities better serve their local populations.

My district has—one of the housing authorities does have a Moving to Work program. There are others that would like it. And I am—want to hear from you whether you support the expansion of the Moving to Work program.

Secretary CARSON. I was very happy with the expansion to another 100 areas. And I am hopeful that we can, with the help of Congress, move far beyond that.

Mr. ROTHFUS. Yes, I would like to see it really transition from being a pilot program—it has been a pilot program since 1996. I don't know how long you have to have a program be a pilot program.

One of the three national program objectives for CDBG is that projects principally benefit low and moderate-income persons. Critics have noted that CDBG funds often end up being used for parks, pools, street signs and community centers, diverting dollars from those communities with the greatest need, particularly in housing.

In your testimony before the House Appropriations Committee this past June, you stated that the CDBG program is, quote “not well-targeted to the poorest populations, and has not demonstrated a measurable impact on communities.” Can you elaborate on that?

Secretary CARSON. Yes. Some of the same things that you just mentioned in the question, and some abuses that are even more significant than that—this is a program that, again, has some very good components, and the things that are good in that program, and HOME Program, and various programs—we are not just going to abandon those things. We are going to obviously utilize the information in order to improve what we are able to do.

Mr. ROTHFUS. You mentioned in your testimony before the House Appropriations Committee earlier this year that the first HUD secretary, Robert Weaver, said that we must look for human solutions, not just policies and programs. What do you think he meant by human solutions?

Secretary CARSON. I hope what he meant is that we need to be looking at the people themselves, as opposed to just the concept of sticking them in a house and thinking that our job is done. If we develop the human capital that exists here, it benefits us all.

Mr. ROTHFUS. It sounds like—that that would still be relevant today—as relevant today as it was when Secretary Weaver first said that. Would you agree with that?

Secretary CARSON. That would—that would be the way that I would look at it.

Mr. ROTHFUS. Thank you, Mr. Secretary. I yield back.

Chairman HENSARLING. Gentleman yields back.

Chair now recognizes the gentleman from Texas, Mr. Gonzales.

Mr. GONZALES. I yield to the ranking member. I yield my time.

Ms. WATERS. Thank you very much. I appreciate having the time.

I am sitting here, and I am listening to how much you care about the most vulnerable in our society and how you want to help people become independent and out of poverty. And yet your budget and what you are advocating for and what you are advocating against does not really define your representation that you care about these vulnerable people.

You are cutting public housing by \$2 billion, Housing Choice vouchers by \$800 million, project-based rental assistance by \$65 million. You have members on the opposite side of the aisle talking about programs that are funded by the Community Development Block Grant. They don't even know that you have completely eliminated that.

The Home Investment Partnership Program—we talk about the national housing crisis that we have, and the National Housing Trust Fund is completely eliminated, and the Choice Neighborhoods initiative eliminated. And Section 811 housing for persons with disabilities—cut by \$121 million.

And so there is one thing that stands out in my mind, based on the campaign, and looking at what happened in the primaries and things that the President said, and how he talked to you and others and demeaned you so much.

But one of the things that stands out in my mind so vividly is how he mocked and mimicked a disabled journalist. And so you have a—he has openly mocked disabled people, and HUD's most recent budget proposal, which you supported and defended, proposes a steep 18 percent cut for Section 811 program, which is focused on serving low-income persons with disabilities, as well as harmful rent increases on Section 811 residents.

This is very concerning, in light of the critical role that HUD plays in providing housing assistance to low-income persons with disabilities, as well as enforcing the Fair Housing Act, which protects persons with disabilities against discrimination in the housing market.

Are—do you remember seeing that display by the President where he mocked and mimicked a disabled journalist? Do you remember seeing the sight of that?

Secretary CARSON. I remember seeing the episode that you are referring to.

Ms. WATERS. Do you think it was wrong for the President to send that kind of message about what he cares—about disabled people?

Secretary CARSON. I am not really here to talk about the President. I really want to talk about the people that we are trying to help.

Ms. WATERS. Yes, I want to talk about the people, too. Right now, I want to talk about the disabled people. And I want to know if his attitude is such that it is reflected in this budget.

And you defend the budget. And are you defending in any shape, form or fashion the fact that the person who wanted to be the

President of the United States of America, for all people, would treat disabled people that way? What do you think about that?

Secretary CARSON. As a pediatric neurosurgeon a large portion of my patients were disabled people.

Ms. WATERS. All right, so you do care about disabled people. Is that right?

Secretary CARSON. Of course.

Ms. WATERS. When you are in front of disabled people who are advocating for resources to help with their lives, and they ask you about the President and the fact that he mocked and mimicked disabled journalists during the campaign, and they ask you, "Do you defend the President in doing that," what would you say to them?

Secretary CARSON. I would say that I am going to use the resources and the talents that we have to look out for the interests of the disabled people. We are going to commit to making sure that they are not displaced.

Ms. WATERS. So do you think a cut of \$121 million is a demonstration of your support for the disabled? Section 811 housing is for persons who are disabled—who are disabled.

Secretary CARSON. I would say it is not the amount of money, it is the result that you get that that is important.

Ms. WATERS. I beg your pardon? I can't hear you.

Secretary CARSON. I would say it is not the amount of money, but rather the result that you achieve that is important.

Ms. WATERS. You keep talking about the amount of money, but you know your real concerns and what you care about is reflected in the budget. And it is difficult for me to believe that you really care about the disabled when you are cutting the resources to them because of the difficulty in their lives and the tremendous needs that they have.

It is difficult for me to believe you care about them with these kind of cuts. I yield back.

Chairman HENSARLING. Time of the gentleman has expired.

The chair now recognizes the gentleman from Texas, Mr. Williams.

Mr. WILLIAMS. Thank you, Mr. Chairman.

And thank you, Secretary Carson, for being here today, and thank you for your testimony.

Secretary CARSON. Absolutely.

Mr. WILLIAMS. And, for a personal note, I would like to thank you for reaching out to the—those of us who were involved in the baseball shooting.

Secretary CARSON. Yes.

Mr. WILLIAMS. Thank you very much. Also, I want to thank you for your leadership. I have been around leaders all my life, and you are a leader, thank you for that.

And also, I want to thank you for what you have done in Texas. I am from Texas. I want to thank you for what you have done in Texas with the—Hurricane Harvey, for reaching out quickly. Your response has just demonstrated the swift action and resolute—and Texans are grateful for what you—for what you have done.

And I am also happy that, in such a pivotal time for our country, history of our Nation, that your leadership understands the challenges we face. We have talked about them today, and you under-

stand the actions necessary to be the best possible steward of the taxpayer, which is important, while assisting those in need to achieve their God-given potential.

So, Mr. Secretary, I want start by talking about FHA's mortgage insurance program, which so many in my district have addressed with my staff and myself. We are aware of many complaints from mortgage lenders who are being subjected to extended, costly investigations and then lawsuits by the Department of Justice for their participation in the Federal Housing Administration's mortgage insurance program.

While I applaud efforts to penalize lenders who deliberately submitted false or fraudulent mortgages, many lenders are being asked to pay penalties for loans they were—that were reviewed and audited by the FHA and HUD.

These actions, forcing many lenders to avoid—or to keep them from participating in the program make it difficult for many first-time homebuyers to purchase homes. So can you explain what circumstances would institute a penalty on a lender, after FHA and HUD have approved their mortgage?

Secretary CARSON. It has been a problem because of all the red tape and all the regulations. And there are so many traps involved, when people do things that are really non-material mistakes, and then they find themselves in the kind of difficulty that would basically drive them away from even wanting to be involved in the first place.

I have talked to Attorney General Sessions about that, and my staff and staff from DOJ are working on those regulatory barriers that are precluding people from wanting to get involved.

Mr. WILLIAMS. The HUD work force, which you supervise, is just short of 8,000 full-time employees. In comparison to some Federal agencies, this may appear to be fairly lean—8,000 is hard to say lean—but given the responsibilities and scope of the department, many could argue that the organization is unnecessarily large.

Do you have the flexibility and authority to right and—to right the size of the department, if needed, and moving the resources and employees as needed to meet the goals that you and the President have set?

Secretary CARSON. I think we have close to what we need. We have come down from 15,000 to 8,000 in recent years, and are looking with a very careful look at the actual need to hire and bring people on and utilizing them effectively, and utilizing people in multiple areas in order to increase the efficiency, recognizing that we do have to be stewards of taxpayers' money.

Mr. WILLIAMS. And then what challenges stand in the way of you organizing your department to achieve the best return on taxpayer investment, which would be cost in return?

Secretary CARSON. Well what we have done is divided people into work groups with captains, who are responsible, who bear some fiscal responsibility, so that we don't simply say to the CFO, which we don't have right now, "That is your responsibility." And I think that the more we can distribute that responsibility and make people responsible, the more fiscally responsible they will be.

Mr. WILLIAMS. Last, one of the promises President Trump made to the American people was to direct his administration to decrease

regulation in order to spur growth. Regulations choke growth. Since you assumed your current position, what steps have you and President Trump taken to roll back harmful regulations in the housing industry?

Secretary CARSON. We have established a regulatory reform committee. And they work through the Office of the General Counsel, looking at major regulations. We are going—we have about 10 of them right now, which we are looking to be able to get rid of, on the way to quite a few more than that.

Mr. WILLIAMS. Thank you again for being here. Thank you for your testimony. I yield my time.

Secretary CARSON. Thank you.

Chairman HENSARLING. Time of the gentleman has expired.

The chair now recognizes the gentleman from Nevada, Mr. Kihuen.

Mr. KIHUEN. Thank you, Mr. Chairman, and thank you, Mr. Secretary, for being here and for sharing your testimony and also your time, as well. We know you are a very busy person, and we appreciate you taking the time to be here.

Mr. Secretary, as you know, Las Vegas was the epicenter of the foreclosure crisis. My neighbors lost their home to foreclosure. I lost my home to foreclosure. The American dream of homeownership from all these families was ripped away.

In the intervening years, Las Vegas has thankfully recovered. Foreclosures have slowed down. Our economy has continued to grow at a healthy pace. We are adding tens of thousands of jobs a year.

However, housing stock isn't being built at a proportional rate. We are starting to see both home sale and rental prices rising at an alarming rate. Year over year, housing prices were up 13.7 percent from September 2016 to September 2017.

The apartment vacancy rate is one of the lowest in the country, at 3.1 percent. In Clark County as a whole, we need more than 157,000 affordable housing units, but we only have 31,870 available.

Unlike other cities, low-income people cannot—can't move further out into the suburbs when housing prices increase in the Las Vegas area, since the city is surrounded by desert. These residents are increasingly being forced to live in untenable situations or leave Las Vegas.

Mr. Secretary, you have spoken before about the need for people to pull themselves up by the bootstraps. However, there are situations, like in Las Vegas, where people have jobs, work hard, but still can't get ahead in the housing market, where rental prices are increasing faster than their paychecks. Do you think there is a government role in helping these people with affordable housing?

Secretary CARSON. There is, in the sense of creating the proper environment for the economy to grow, because a lot of the problems that we are having in that regard is because wages are stagnant, and they are not keeping up with the—with the increasing cost of the housing.

So that will be the solution to many of the issues that are going on our country, including some of the social issues, because people get more irritable when they are not doing well economically.

Mr. KIHUEN. Another question: In HUD's Fiscal Year 2018 budget proposal, the Home Investment Partnerships Program would be eliminated, and—instead of relying on local and State governments to fill the gap.

However, the city of North Las Vegas relies on HOME to expand affordable housing options. What if local governments can't pick up the slack? Is it your opinion that they are just out of luck and the Federal Government shouldn't be assisting them?

Secretary CARSON. We are certainly looking for State and local governments to play a bigger role. There is no question about that. But in terms, as I have said before, of the good things that programs do, including the HOME Program, we are examining those things and looking at the best ways to be able to continue them.

Mr. KIHUEN. Thank you, Mr. Secretary.

And, last question, according to Amparo Gamazo, the executive director of the Southern Nevada Regional Housing Authority, your proposed fiscal 2018 budget would make it very—and I quote “very difficult for us to keep up with the maintenance of existing public housing units.”

Mr. Secretary, I just read a slew of statistics that pretty clearly show me we are not going to need less public housing going forward, but more. If our local experts are saying your budget—it is going to make it harder for them to just maintain what we have, how can we fulfill HUD's mandate of helping the American people put a roof over their heads?

Secretary CARSON. I hope that that will be one of the reasons that I can count on Congress to help lift the cap on rent, because that is how we get rid of those capital need backlogs.

Mr. KIHUEN. Thank you, Mr. Chairman. I yield back the remaining time.

Chairman HENSARLING. Gentleman yields back.

The chair now recognizes the gentleman from Maine, Mr. Poliquin.

Mr. POLIQUIN. Thank you, Mr. Chairman, very much.

Mr. Carson, it is wonderful that you are here. I appreciate it very much. Good to see you again.

Secretary CARSON. Thank you.

Mr. POLIQUIN. Dr. Carson, I represent rural Maine—not the urban parts of Maine, but rural Maine. And you folks might not—might not be familiar with this, but Maine is the oldest average in the country. It is not Florida, or it is not Arizona. It is Maine.

I worry about folks that live in the rural area. I worry about our seniors, and I worry about making sure we have a very strong safety net for those that are less fortunate than us.

But even though I worry about our seniors, they are also great teachers. My mom is 89, my dad is 87. I love them to death. I am very close to my parents, in their life and in their stage in their life.

But I remember, when we were kids growing up in central Maine, it was a vibrant area with lots of paper mills that were just humming along, and folks were happy and taking care of themselves. And my parents were always working. That is what I remember—and I am sure, similar to your situation, in some regard, Dr. Carson.

My dad was a teacher and coach, and he was always traveling. And when he wasn't teaching, he was coaching—or rather, refereeing high school basketball all around the State. And it is an 8-hour drive from one part of my district to the other.

And my mom was a nurse. She worked the night shift at nursing homes. So she was home when Jim and myself—my brother and I—got back to school. And so we grew up with education and compassion. And during the summertime, they were always working. Dad had a little lobster pond.

So what my parents taught me more than anything—it is not what they said; it is what they showed me. It was honesty, compassion and hard work.

Secretary CARSON. Yes.

Mr. POLIQUIN. Hard work—now, my first full-time job was when I was 12 or 13 years old. I worked for 50 cents an hour, pumping gas at a marina on a little lake in Maine. And, man, I worked 40 hours a week, and got a \$20 bill.

I was just on my way. I remember the excitement and purpose I had, getting up every morning, and making my lunch, and going to work. And the next year, I parlayed it into my next job, working at a restaurant, running the cash machine—the cash register, for a buck an hour. Now I get two \$20 bills for working 40 hours a week.

This is what I learned, now. What I have found is that there are so many people, Mr. Carson, that look for the perfect job and retirement. You live long enough, you know there is no perfect job.

Secretary CARSON. Right.

Mr. POLIQUIN. The value of work is the journey. You learn something from every job. You find dignity and self-purpose, and that is what your kids see. And that is what your grandkids see. That is the value of hard work.

Now, I have one son, who is 26. We are very close. He is a hard worker. I worry about Sam all the time. I worry about his generation. But I worry about him less, because he knows the value of hard work. I can't even imagine, Mr. Carson, raising my son to say, "OK. Now, you have had a good education. You know how to work. Now we want to make sure you sign up for every government program you can find."

And I know you believe the same thing. So my question to you, sir, is—you believe in the dignity and self-purpose of hard work, and what it shows the next generation. What are you good folks doing at HUD to make sure that our families are upwardly mobile, our families can escape government dependence and have better lives, with better futures, more promise and more freedom?

Secretary CARSON. I thank you for that question. One of things that we are doing—we developed this concept called Envision centers. It comes from the Bible verse, Proverbs 29:18, that says, "Without a vision, the people perish."

And a lot of times, when you go into the low economic areas, and you say to the kids, "What do you want to do when you grow up?" you get a blank stare. But sometimes, you might get a few things—maybe five things. But there are 1,000 things.

And the Envision centers are to expose them to the other 995 and tell them how to get there, and also to serve as a nidus for

mentorship programs, because it has been demonstrated by multiple studies that low-income students who are mentored have a much higher high school graduation rate than those who do not.

It also facilitates child care, because so many of the young women get pregnant, and their education ends at that point. And we want them to get their high school diploma. We want them to be able to get their Bachelor's degree, Master's degree, become independent, but more importantly, teach that to their children so we break the cycles of dependency that have occurred.

And it is also going to be an nidus for health care, for clinics, a whole host of things that—to really expose young people, because a lot of them—they have not really been exposed to those things that are necessary in order to be successful in our society.

Mr. POLIQUIN. Thank you for what you do for our country, Mr. Carson, and keep doing what you are doing. I yield back my time, sir.

Secretary CARSON. Thank you.

Chairman HENSARLING. Time of the gentleman is expired. The chair now recognizes the gentleman from Texas, Mr. Green.

Mr. GREEN. Thank you, Mr. Chairman.

I thank the witness for appearing, as well. Mr. Carson—Mr. Secretary, Dr. Carson, sir, you have indicated that there will be substantial cuts to the budget that HUD has. Can you give me that dollar amount? I am showing that it is about \$6 billion. Is that correct?

Secretary CARSON. That is about right.

Mr. GREEN. Is that about 13 percent of the budget?

Secretary CARSON. Yes.

Mr. GREEN. And will these cuts, Mr. Carson, come from public housing, housing vouchers, community development block grants and other aid to low-income persons?

Secretary CARSON. They come from a variety of sources, including—

Mr. GREEN. How much from public housing, Mr. Carson?

Secretary CARSON. Probably in the neighborhood of, if you combine all the programs, \$2 billion to \$3 billion.

Mr. GREEN. \$2 billion to \$3 billion? How much from housing vouchers, Mr. Carson?

Secretary CARSON. Rather than go through a quiz on all the numbers—

Mr. GREEN. It is not a quiz, Mr. Carson. I have the time to ask you questions about things that you should have some knowledge of. If you have no knowledge of them, you can simply say so. I will accept it as an answer. But this is something that is within your bailiwick, my dear sir. How much from housing vouchers?

Secretary CARSON. Again, I can give you that number, but—

Mr. GREEN. If you would give it to me, I would greatly appreciate it, because I would like to go on to community development block grants.

Secretary CARSON. Here is my point. I agree with you that it is difficult to do these things.

Mr. GREEN. That is not—that has little to do with my question. You are answering a question that I am not asking, to be quite candid with you.

So would you kindly tell me how much HUD is going to—how much you are going to cut from the HUD budget, as it relates to housing vouchers? Now, if you don't know, it is OK to say you don't know, Mr. Carson. I don't hold you to things that you don't know.

How much are they going to—

Secretary CARSON. Let's just move on and say that I don't want to offer a number, because it is subject—

Mr. GREEN. Why would the secretary of HUD not give the number—the amount that you are cutting from housing vouchers, Mr. Carson?

Secretary CARSON. Because—

Mr. GREEN. You are the secretary of HUD.

Secretary CARSON. —Because—

Mr. GREEN. You are making the cut.

Secretary CARSON. —Because we have already talked about the total amount of the cut.

Mr. GREEN. The total amount does not help me when it comes to the housing vouchers. I have people who use housing vouchers, and I need to be able to explain to them, Mr. Carson, how much the cut portends for them. How much, Mr. Carson?

Secretary CARSON. Let's hear your number.

Mr. GREEN. Mr. Carson, forgive me for coughing while speaking. But, Mr. Carson, you are the witness testifying today, and if you want a moment to ask someone behind you, I would gladly accord you that moment.

Secretary CARSON. I don't—I don't want to open the book and look at the numbers.

Mr. GREEN. I see.

Secretary CARSON. I want—I want—

Mr. GREEN. So you choose not to say how much you are cutting from housing vouchers. All right. How much are you cutting from community block grants, Mr. Carson?

Secretary CARSON. —I want to talk about—

Mr. GREEN. Mr. Carson, you don't get to talk about what you want to today. You get to talk about what I want you to talk about. You get to answer the questions that I pose, Mr. Carson. That is the way it works.

Secretary CARSON. Yes, but I also get to answer the question the way I want to.

Mr. GREEN. You can answer them the way you want, but if you want to show a lack of knowledge, you can do this. It is quite all right, Mr. Carson.

So, now, how much from community development block grants, Mr. Secretary?

Secretary CARSON. Again, I am not willing to sit there and go through—

Mr. GREEN. So you don't know how much from community development block grants?

Secretary CARSON. —I am not going to go through the list, this much, this much and this much. I think that is—

Mr. GREEN. I don't—I will move on, Mr. Carson. I accept that your lack of knowledge.

Now, Mr. Carson, there seems to be a belief among the ranks of those who have opportunities to help others who have been blessed,

themselves. They seem to think that the rich need more; that the poor can do more with less, but the rich will have to have more to do more.

Mr. Carson, if poor people could do more with less, there would be no poor people. Poor people are not poor because they choose to be. I know about your "state of mind" comment. But they are not poor because they choose to be poor.

Have you not noticed, just for edification purposes—and I am sure that you are aware of it, but there may be people who are listening who are not—black unemployment, Mr. Carson, is always, with some exceptions, about twice that of white unemployment. There are many reasons for this.

But that fact has a lot to do with what people can do with money that they have, and what they can't do with the money that they don't have. There are other factors involved in this country, other than a state of mind. There is still, Mr. Carson, invidious discrimination in the United States of America.

While you may not suffer it, there are others who do, and they need to know what you plan to do, and I regret that you are unable to tell us today. I yield back the balance of my time, Mr. Chairman.

Secretary CARSON. The positions that you ascribe to me are your opinion of what I think. They are not what I think.

Chairman HENSARLING. Chair—

Mr. GREEN. Mr. Chairman, if he chooses to respond and say this, I would then ask to—

Chairman HENSARLING. —The time—

Mr. GREEN. —Be allowed to let him know that my positions are—

Chairman HENSARLING. The time of the gentleman has—

Mr. GREEN. —What you articulated and did not articulate.

Chairman HENSARLING. —Expired.

The chair now recognizes the gentleman from New York, Mr. Zeldin.

Mr. ZELDIN. Thank you, Mr. Chairman.

Secretary Carson, is there anything that you would like to say using my time?

Secretary CARSON. Thank you very much. I appreciate that.

Sometimes I get a little bit tired of people ascribing to me things that people have said that I believe. And I appreciate an opportunity to say this.

When I say that poverty is largely a state of mind, what I am saying is that the way that people approach things has a lot to do with what happens to them. If your mindset is one that "I am a victim" and that "everybody else is in control of my life and I just need to sit here and wait for them to do something for me," you are going to approach life very differently from somebody who says, "I am going to take this issue into my own hands."

It was one of the things that I learned from my mother. She came from a very large rural family, got married when she was 13, later on discovered her husband was a bigamist, had only a third-grade education, worked three jobs at a time. But the one thing about my mother—she was never a victim, and she never allowed us to be victims.

And that was very important. And she did that for other members of our family, too, who were in a very bad situation. And she convinced them that they didn't have to be there, and they came out of that situation. She was really quite an interesting person.

Now, I realize that not everybody has a mother like mine. But I also recognize that we, as a society, would do much better if we stopped sitting around trying to tear each other apart, and start saying, "What can we do to change the attitudes and to create different outcomes from people?"

And there are those who allow themselves to be manipulated into just creating dissension, rather than try to figure out a way that we can actually solve the problems. Isn't that what this whole government was supposed to be about, representatives who can help us solve the problems, not people who simply sit there and try to tear things down and try to create dissension and try to create victimhood?

We don't need that. We can do much better than that. This is America, the United States of America, a place that rose from nowhere to the pinnacle of the world in record time. Why? Because we created an atmosphere of innovation.

Were there mistakes made? Were there problems? Absolutely. Are we a perfect society? We are not, because we are—we consist of human beings. That is why—that is why we need a savior.

But, we really can do much better than what we are doing, if we stop fighting each other and start figuring out how we are going to solve these problems.

Mr. ZELDIN. Thank you, Mr. Secretary, for being here, for your service. You are someone who wants to lift people up and provide more opportunity, not to keep them struggling, but to have all of the abilities, all the tools necessary to be able to rise up out of that situation for a better life.

I feel like our country is blessed to have you serving as our secretary of HUD. It is a calling that hopefully will provide great opportunity for you to empower many Americans desperate for your leadership, to help them have that opportunity.

Secretary CARSON. Thank you.

Mr. ZELDIN. I wanted to speak briefly about veteran homelessness. On any given night, with HUD numbers, 40,000 veterans in the United States are struggling with homelessness.

Any veteran who raises their hand, willing to serve our country, should have a roof over their head. They should have shoes on their feet. They should have food on their table. So the ultimate goal for that number will always be pursuing the permanent solution of zero.

We know that voucher programs, which give flexibility to Americans struggling from affordable housing, has been shown to be more effective than the traditional housing project programs. I applaud your efforts to move more to a voucher model at HUD for all housing programs.

Earlier, you noted that the agency is making progress, but that the HUD Veterans Affairs Supportive Housing Program is in need of more flexibility to get the vouchers in the right hands, and in the right place.

Additionally, you spoke about the expansion of public-private partnerships and increasing the collaboration of your agency with local non-profits to assist in veteran housing.

I stand eager to work with you. I am sure many of my colleagues are, as well, with the ultimate goal of getting to zero veteran housing—homelessness one day. I thank you again for your leadership.

I yield back.

Secretary CARSON. Thank you.

Chairman HENSARLING. The chair now recognizes the gentlelady from Utah, Mrs. Love.

Mrs. LOVE. Thank you, Secretary Carson, for being here today. I would like to talk to you a little bit about the Moving to Work program, which is meant to give public housing authorities the flexibility to pursue innovative strategies to increase housing choices for low-income families and ultimately to encourage economic self-sufficiency.

This program, now operating at only 39 of the approximate 3,200 housing authorities in the U.S., was authorized to expand to more—to 100 more agencies more than 2 years ago, through the consolidation—Consolidated Appropriations Act of 2016.

Your department, both under your predecessor and now under your leadership, has moved slowly and cautiously on this directive from Congress to expand that. HUD has missed some of its deadlines. From that viewpoint, some of our housing authorities, it looks like HUD is trying to add more regulations to a program that was meant—that was designed for deregulation.

Two of my home State housing authorities, of Salt Lake City and Salt Lake County, are desperately awaiting the chance to apply. They see it as a chance to redesign and streamline antiquated HUD programs to meet local needs more directly and successfully.

So how can we help you advance the Moving to Work program so that local agencies can apply for it and hopefully gain that flexibility that they are seeking?

Secretary CARSON. You have already helped me by that question, because I wasn't aware that that was going on—that we were trying to increase the regulations, rather than decrease them. That is the exact opposite of what we should be doing.

Mrs. LOVE. Right.

Secretary CARSON. So we will look into that.

Mrs. LOVE. OK.

Can you tell us a little bit more, generally, about your assessment of the Moving to Work program? Has it been successful in moving more people to economic self-sufficiency?

As we know—and I think that we can all agree on both sides of the aisle that we should not be in the business of giving people exactly what they need to stay exactly where they are. We should be giving people opportunities to be able to have their needs met, and then be able to move out of there, and be contributing members of society, and help other—and help their communities.

So can you tell me how successful this program has been in helping people move and be self-sufficient and—

Secretary CARSON. Yes—yes. First of all, we discovered through this program that we have some incredibly innovative people, if we take the barriers out of their way and allow them, because they are

able to see the community that they live in and see the opportunities that exist in their community. And therefore, they can design the program in order to take advantage of what exists where they are, not what exists in Washington, DC.

And that is one of the reasons that the 39 programs that existed have done well enough that the expansion was authorized. I think the expansion probably should be authorized far beyond another 100, because it is working.

And we are continuing to accumulate data, but it all is pointing in the same direction, and that is giving local control, as long as you have a responsibility.

We have to have a way that we measure what they are doing and make sure that we are not having any type of inappropriate activity going on. But, as long as we have that in place, this is clearly the way to go.

Mrs. LOVE. I just have two things I want to bring up really quickly in the minute that I have left.

According to CBO, Federal spending on programs to serve low-income families was approximately \$744 billion in 2016, to take into account 80 programs throughout the 13 different Federal agencies, and that doesn't include the States that are helping out.

I am trying to figure out how much goes to brick-and-mortars. One of the comments that you had made is—and I think it was actually a good comment—is that, as a bureaucrat, you feel—you are going to be a fish out of water.

And I want you to be a fish out of water, because it is—it should be uncomfortable. We shouldn't be sustaining bureaucrats. We should be sustaining people.

Secretary CARSON. Right.

Mrs. LOVE. And I want you to just keep conscious of the fact that these programs are meant to make sure that we make it so that people can have an opportunity to get out of the system. We should be incentivizing good behavior—

Secretary CARSON. Right.

Mrs. LOVE. —And people who are wanting to get up. And most people that are there—they do. They want to be masters of their own life.

Secretary CARSON. I agree. They want that.

Mrs. LOVE. So thank you. Thank you for being here.

Secretary CARSON. That is—OK.

Chairman HENSARLING. Time of the gentlelady has expired. The chair expects to clear one more member in the queue.

Chair now recognizes the gentleman from Michigan, Mr. Trott.

Mr. Trott. Thank you, Mr. Chairman.

Secretary Carson, thank you for being here today. And I represent Michigan's 11th district, which is Oakland County and Western Wayne County. So we are awfully proud of your—

Secretary CARSON. Very familiar.

Mr. Trott. —Awfully proud of your Detroit roots. And I am happy to report to you that Detroit is making quite a comeback under Mayor Duggan.

Secretary CARSON. Absolutely.

Mr. Trott. And I know you visited.

Secretary CARSON. Yes.

Mr. TROTT. And you are always—
Secretary CARSON. I was very impressed.

Mr. TROTT. —As am I.

So I am the last person, so I am going to end with a couple of compliments. I have been in Congress about 3 years, and more often than not, the witnesses that appear before us do what we call the old political pivot, and they get a question they don't like, or they feel insulted by, or is self-serving from the person who is asking the questions, and they talk about something else.

You have actually sat here all morning—and I have been watching in my office and been here in the committee room—you have actually listened to our questions and done your best to answer our questions. And I suspect it is because you are brighter than most of us, so you are not intimidated by any of these questions. But I want to acknowledge that you have been, actually, one of the more productive witnesses I have seen during my tenure in Congress.

Also, I want to compliment you on the President's choice—and I am sure you had some input on—I think Brian Montgomery is going to be nominated as the FHA Commissioner. He served with distinction toward the end of the Bush Administration, and I think he will be a great asset for you at HUD.

Secretary CARSON. Absolutely.

Mr. TROTT. So let's talk about the FHA program. There is a great article from the HousingWire from July of this year, written by David Stevens from the MBA. And it talks about the unprecedented use of the False Claims Act by HUD and the Department of Justice, starting around 2011, under President Obama.

And the False Claims Act is a very important Federal statute. It was promulgated under President Lincoln to deal with profiteers who were supplying the Union Army and cheating the government. Been used over the last several decades to deal with Medicare fraud and to deal with defense contractors who are ripping taxpayers off.

And so I am all for the False Claims Act being used. But are you familiar at all with how it has been used in the context of FHA lending—

Secretary CARSON. Yes.

Mr. TROTT. —And some of the ramifications of that?

Secretary CARSON. Very much so.

Mr. TROTT. So I believe you and Attorney General Sessions could easily solve that problem. And the consequence of the improper use of the False Claims Act to impose outrageous penalties against lenders for immaterial defects in loan origination files on FHA loans—the consequences are many lenders have left the FHA program, and those that have stayed in the program are more costly for the borrowers who can least afford it.

So do you have any plan, once Commissioner Stevens is in place, to quickly address that problem?

Secretary CARSON. Yes. We are already addressing that problem, our staff along with the DOJ staff, and we are committed to getting that resolved, because it is ridiculous, quite frankly.

And I am not exactly sure why there had been such an escalation previously, but the long-term effects of that escalation is obviously

providing fewer appropriate choices for consumers, and that is exactly the opposite of what we should be doing.

Mr. TROTT. Who can least afford it, too, so—right? So great, that is good news on the way there. And I know the MBA has done a great white paper on the issue, and I commend it to you in terms of seeking out an easy solution that can be put in place without congressional action.

Secretary CARSON. Absolutely, yes.

Mr. TROTT. I dealt with HUD for many years in my prior life, and I always found—and this has been a real interesting dichotomy today, because you have been attacked for the budget issues that you propose for HUD, and some people think that we have unlimited amounts of money here in Washington. There is a debt clock behind you that will tell you differently.

But your answer has been a good one, which is, “I am more interested in results than I am in funding, and we have to get results for the people that need it, and for our taxpayers.” And in my experience with HUD, you have talked about the reforms that you are working on—the field offices need to be empowered.

Secretary CARSON. I agree.

Mr. TROTT. It is kind of like Tip O’Neill’s old comment, “All politics is local.” I think all housing is local, and the more the field offices can act and focus on results and the—and the department here in Washington’s focused on big-picture, broad issues, I think you get better results. So I commend that to you, number 1.

And, two, and I guess this is more of a lecture than a question, but in my experience, it was very important that HUD try and partner whenever possible, and not create—like, under Secretary Cuomo, it was an adversarial relationship between the local and State housing agencies and HUD.

It doesn’t need to be that way. They should be partners to deliver results. And again, the best results are delivered local and closer to home than here in Washington. So I commend that you, as you look at reforms.

And I believe my time has expired, but I thank you for your time today and I thank you for your insightful testimony—one of the more productive mornings I have spent here in committee.

Secretary CARSON. Thank you.

Mr. TROTT. And I think, last time, I was on Judiciary Committee last Congress, and Attorney General Lynch said, “I don’t know; I can’t help you” 74 times, and you have tried to answer our questions. I thank you.

Chairman HENSARLING. Time of the gentleman has expired.

The chair now recognizes the ranking member for a unanimous consent request.

Ms. WATERS. I would like to submit to the record—need unanimous consent—to submit the National Housing Law Project’s opposition to the funding in HUD, particularly the \$3 billion at CDBG—

Chairman HENSARLING. Without objection.

Ms. WATERS. —\$4.6 million will be lost in substance abuse, and—

Chairman HENSARLING. Without objection.

Ms. WATERS. —Domestic violence, \$9 million will be lost. I submit—

Chairman HENSARLING. I would like to thank Secretary Carson for his testimony today.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

This hearing stands adjourned.

[Whereupon, at 12:32 p.m., the committee was adjourned.]

A P P E N D I X

October 12, 2017

**WRITTEN TESTIMONY
DR. BEN CARSON
SECRETARY OF
HOUSING AND URBAN DEVELOPMENT
BEFORE THE
HOUSE FINANCIAL SERVICES COMMITTEE
THURSDAY, OCTOBER 12th, 2017**

INTRODUCTION

Chairman Hensarling, Ranking Member Waters, and members of this Committee, thank you for inviting me to discuss the work we do at the Department of Housing and Urban Development (HUD), and my plans for fulfilling our mission with fidelity to our Congressional mandate and the best interests of the American people.

First, please know that, right now, HUD is involved in the federal response to Hurricanes Harvey, Irma, and Maria that damaged and devastated areas of Texas, Florida, Georgia, Puerto Rico, and the U.S. Virgin Islands. On a daily basis, in our interagency leadership role as the Coordinating Department for the Housing Recovery Support Function, HUD's team is coordinating with our Federal, State, territorial, and local agency partners in the field, providing temporary and long-term housing solutions for survivors, and helping HUD-assisted clients and FHA-insured mortgage borrowers. In the long-term, HUD will play a key role in the recovery efforts in these disaster impacted regions as they rebuild. Helping the impacted communities in the aftermath of these storms is and will remain a priority for me and this Administration.

A PLAN FOR REFORM

While there remains robust debate about how to solve the complex problems that HUD tackles every day, we should all be able to agree that roofs over peoples' heads, strong families, and healthy communities help foster and develop the God-given potential of those Americans that HUD assists. To do so, we need an innovative approach that responds to today, not yesterday.

After all, America has changed greatly since HUD was established as part of Lyndon Johnson's "Great Society" programs over 50 years ago, and we must learn to evolve with the country.

While HUD has been around for 50 years, many Americans still struggle to find affordable housing. The Worst-Case Housing Needs 2017 Report indicates that alarmingly high numbers of Americans continue to pay more than half of their incomes toward rent and/or live in inadequate conditions. Chronic homelessness continues to plague tens of thousands of our countrymen, and many millions remain mired in poverty, rather than being guided on a path out of it.

History has made clear that spending more taxpayer dollars does not necessarily create better outcomes.

We must constantly evaluate our programs to ensure that we are delivering services effectively and efficiently to HUD's constituents, and responding to today's challenges with the best practices and technologies.

Since I arrived at HUD in March, it has been my mission to employ the wealth of institutional knowledge held by career staff to improve our services, reform our programs to reflect realities of modern society, and remain careful stewards of taxpayer dollars. My experiences and interactions with the talented employees of HUD have been extremely gratifying and inspiring.

With that in mind, it is encouraging that in the 2017 Federal Employee Viewpoint Survey, HUD had the highest Employee Engagement Score (69%) we have seen in the last three years. Hearing the voices of HUD team members on issues from workplace conditions to program efficiency continues to be vital to building a better agency.

After several months of hard work, our team has outlined a bold plan for institutional reform and improvement that will better serve all Americans—those who benefit from our programs, the taxpayers who fund us, and the hard-working employees who have dedicated their careers to helping those served by HUD.

It is called the FORWARD initiative.

FORWARD INITIATIVE

The policy elements of the FORWARD initiative each fall under what we have named “the three Rs:” Reimagine How HUD Works, Restore the American Dream, and Rethink American Communities.

Reimagining How HUD Works refers to our internal processes, working conditions, and training. We believe that an improved work environment will lead to a more effective workforce.

Of course, the goal of every improvement made at HUD is to provide better service to those in need. Our job is to Restore the American Dream, getting Americans back on their feet and permanently improving their lives.

This initiative is a strong companion to the work done by this Committee and the Congress in passing the Housing Opportunities Through Modernization Act last year. We are working to enhance our rental assistance programs to better support the needs of the families they serve. A goal of every anti-poverty program should be to help beneficiaries reach prosperity and self-sufficiency. Housing assistance must be geared toward this goal through alignment with job training and other forms of support where possible. This does not mean taking assistance away from those who need HUD—it means doing our job so well that fewer and fewer people require our assistance.

Additionally, we have an opportunity to finally eliminate veteran homelessness in America. This will continue to be a focus for our Department. They sacrificed for our country, and deserve all the support we can give.

We are also working to help more Americans achieve responsible homeownership, including revisiting the Federal Housing Administration's (FHA's) condominium rules to consider opening up assistance to more first-time homebuyers. FHA's role to support homeownership is important and must be executed responsibly for borrowers and taxpayers. As part of this, we are looking to modernize FHA's systems and programs to reduce risk and ensure that they will be available for future generations.

And finally, we need to Rethink American Communities and how we make them thrive.

Expanding community investment through public-private partnerships and engaging the most effective charities, philanthropies, and religious institutions produces better results than heavy-handed government interventions. Of course, HUD is committed to continuing to serve those families that might always need someone to lean on.

I am also making it a special priority to help more American families live in healthy homes free of lead hazards and other poisonous substances. As a doctor, I have seen firsthand the tragic consequences of childhood exposure to hazardous paints, pipes, and building materials. Ridding our homes of such dangers, and thereby preventing Americans young and old from suffering from acute and long-term illnesses, is a worthy cause and will have a positive impact on our country that will be felt far beyond the lives that we will directly save.

DISASTER RELIEF

While much of our FORWARD initiative consists of plans for the future, HUD is hard at work this very moment responding to the recent hurricanes, and planning for the long-term recovery of the areas impacted by them. I am particularly pleased that HUD's Deputy Secretary, Pamela Patenaude, is now in office. Deputy Secretary Patenaude has expertise from Hurricanes Katrina and Rita during a previous tour at HUD, and has already proven to be a tremendous asset in her role as the Chair of the Department's Disaster Management Group.

Even before a hurricane hits, HUD's local field staff are identifying vacant units in the potentially impacted areas and working with our stakeholders to prepare for the hurricane. Since these storms hit, many employees from around the nation volunteered to go to affected areas, becoming the face of the Department and providing first-hand assessments. Anthony Landecker is one such employee that I had an opportunity to meet during a recent trip to Beaumont, Texas. Anthony moved with his wife and two young children from Minnesota to help with the recovery efforts. We owe Anthony, and all those who have volunteered to respond to these disasters, our gratitude. To all the amazing employees at HUD working to respond to the devastation of Harvey, Irma, and Maria: thank you.

HUD is supporting FEMA to move displaced residents into temporary and interim habitable housing in each of the impacted areas. HUD has staff at shelters and disaster recovery centers to work with the survivors and local supportive service providers to identify housing solutions and needed services.

HUD also works with other federal agencies as well, such as HHS and USDA, to coordinate our disaster recovery efforts. FEMA also has been a close partner, inspecting thousands of damaged dwellings a day. FEMA's inspection data will allow HUD to estimate the unmet repair needs, and assists HUD in its long-term recovery efforts.

We are also working closely with communities to support those who were homeless prior to the storms, to help ensure their safety and address their continuing need for housing. Part of our strategy will be working to ensure that emergency shelters are meeting the needs of the most vulnerable.

In addition, we are providing FHA mortgage insurance to people who have lost their homes. Some will be eligible for 100 percent financing through HUD's Section 203(h) program. HUD has also granted a 90-day moratorium on foreclosures, and a 90-day forbearance on foreclosures of FHA-insured mortgages.

EXECUTIVE ORDERS AND OUR STEWARDSHIP

While pursuing its mission to provide safe, decent, and affordable housing for the American people, the HUD team is also cognizant of its vital duty to be good stewards of taxpayer dollars, and, like the medical dictum, to "first, do no harm."

President Donald Trump has directed federal agencies to take special care against burdening American families and their businesses with unnecessary and expensive regulations. In accordance with Executive Orders 13771, "Reducing Regulation and Controlling Regulatory Costs," and 13777, "Enforcing the Regulatory Reform Agenda," HUD is reviewing its existing regulations to assess their compliance costs and reduce regulatory burden.

As required by Executive Order 13777, HUD has established a Regulatory Reform Task Force charged with identifying agency regulations that should be repealed, replaced or modified. I am confident the efforts currently underway will help the agency streamline its services, reduce regulatory burdens and, ultimately, result in a more efficient and effective HUD.

HOUSING FINANCE REFORM

Let me close by reiterating the interest of our Administration, and my personal interest, in working with this Committee on housing finance reform. I've met with several of you about this topic over the past weeks and look forward to conversations with more members of this Committee in the future. We are now entering the 10th year of the government-sponsored enterprises, Fannie Mae and Freddie Mac, being placed into conservatorship, which is much too long for this issue to remain unresolved.

We must think comprehensively about reform, so that changes do not cause unintended consequences. HUD will be an active participant in this critical dialogue because of our fundamental housing mission, and because our FHA mortgage insurance program and our Ginnie Mae mortgage-backed security guaranty are large and vital components of the housing finance system.

Housing finance reform should be built on shared goals of ensuring a well-functioning housing finance system that provides access for creditworthy borrowers that are ready to own a home, expands the role of the private sector, and reduces overall taxpayer exposure. There are many details for this Committee to consider, but the nation would be well served if we could, working together, address this significant piece of unfinished business from the last housing crisis.

Thank you, again, for inviting me to testify today. I will be pleased to answer any questions you may have.

JOYCE BEATTY
Ohio, 3rd District
COMMITTEE ON
FINANCIAL SERVICES
SUBCOMMITTEE ON HOUSING AND INSURANCE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

Congress of the United States
House of Representatives
Washington, DC 20515-3503

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July 12, 2017

The Honorable Dr. Benjamin S. Carson, Sr.
Secretary
U.S. Department of Housing and Urban Development
451 7th Street SW
Washington, DC 20410

Dear Secretary Carson:

For many families across this country, homeownership is the cornerstone of achieving their American Dream. It has proven to be one of the most effective ways for lower- and middle-income families to build wealth. We know that the Federal Housing Administration (FHA) has been the main lender of choice for many first-time homeowners and has allowed them to live out this dream. However, as a result of the 2008 Financial Crisis, homeownership is still out-of-reach for far too many American families, especially millennials and minorities. We respectfully request you lower the FHA's annual Mortgage Insurance Premium (MIP) rates by 25 basis points due to historically low homeownership rates and the strength of the FHA's Mutual Mortgage Insurance Fund (MMIF).

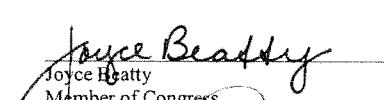
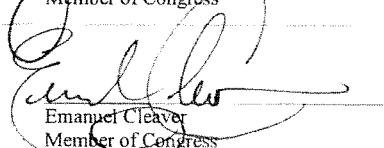
As you are well aware, on January 20th, 2017, the General Deputy Assistant Secretary for Housing at the U.S. Department of Housing and Urban Development (HUD), Genger Charles, issued a Mortgagee Letter that suspended the decision of former HUD Secretary Julián Castro to reduce the FHA's annual MIP rates by 25 basis points, citing the need for "more analysis and research...to assess future adjustments." According to the National Association of Realtors, this decision will cost 750,000 to 850,000 homebuyers hundreds of dollars and exclude 30,000 to 40,000 prospective homebuyers from realizing their dream of homeownership in 2017 alone. With homeownership rates already at a 50 year low, it is critically important that we make every effort to remove unnecessary barriers instead of making it even more difficult for homeownership to become a reality.

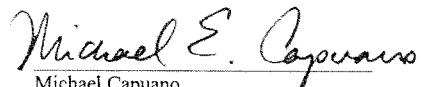
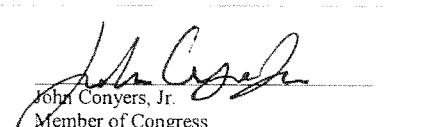
According to HUD's "Annual Report to Congress Regarding the Financial Status of the Mutual Mortgage Insurance Fund Fiscal Year 2016," the MMIF's capital ratio stands at 2.32%, which far exceeds its congressionally-mandated level, and a 3.28% capital ratio for single-family forward loans. The financial strength of the FHA's MMIF cannot be denied. In fact, it is a

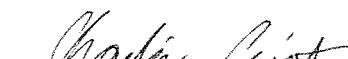
testament to the strength of the housing recovery and the effort by HUD to make affordable loans available to homeowners, while at the same time, preserving the quality of the loan standards within the FHA's MMIF portfolio. This is all the more reason to lower the annual MIP rates by 25 basis points, and thus expand the pool of first-time homebuyers.

As you continue to analyze and review your decision as to whether or not to lower the annual MIP rates, we implore you to consider the following: the financial strength of the MMIF, historically low homeownership rates and the potential impacts on the economy. As you publicly stated last month, homeownership "is the foundation of the economy, the spark for vast investment, lending and finance." The time to ease the financial burdens on homeowners and prospective homeowners trying to realize their American dream has long since passed and the time to lower the annual MIP rates is now.

Sincerely,

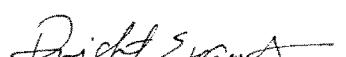

 Joyce Beatty
 Member of Congress

 Emanuel Cleaver
 Member of Congress


 Michael E. Capuano
 Member of Congress

 John Conyers, Jr.
 Member of Congress

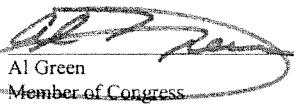

 Charlie Crist
 Member of Congress

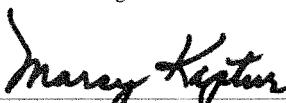

 John K. Delaney
 Member of Congress


 Keith Ellison
 Member of Congress


 Dwight Evans
 Member of Congress


 Vicente Gonzalez
 Member of Congress

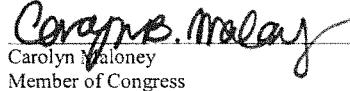

 Al Green
 Member of Congress

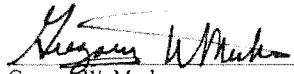

 Marcy Kaptur
 Member of Congress


 Ruben J. Kihuen
 Member of Congress


 Daniel T. Kildee
 Member of Congress


 Al Lawson
 Member of Congress

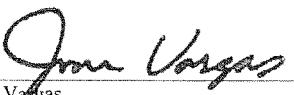

 Carolyn Maloney
 Member of Congress

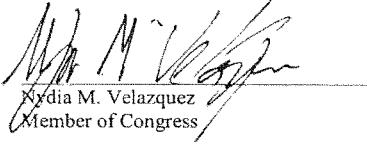

 Gregory W. Meeks
 Member of Congress


 Ed Perlmutter
 Member of Congress


 Brad Sherman
 Member of Congress


 Eric Swalwell
 Member of Congress


 Juan Vargas
 Member of Congress


 Nydia M. Velazquez
 Member of Congress



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-1000

OFFICE OF CONGRESSIONAL AND
INTERGOVERNMENTAL RELATIONS

AUG 30 2017

The Honorable Joyce Beatty
U.S. House of Representatives
Washington, DC 20515-3503

Dear Representative Beatty:

On behalf of Secretary Benjamin S. Carson, Sr., thank you for your letter about the Federal Housing Administration's (FHA) decision to maintain the existing annual Mortgage Insurance Premium (MIP) rate for FHA-insured mortgages, rather than lowering that rate for mortgages with closing or disbursement dates on or after January 27, 2017. FHA announced this decision in Mortgagee Letter 2017-07, issued on January 20, 2017. The following information is from the Department of Housing and Urban Development's (HUD) Office of Housing.

Pursuant to its statutory mandate, FHA continuously strives to achieve the appropriate balance between meeting the housing needs of the borrowers that FHA's mortgage insurance programs were created to serve, and minimizing the level of risk relative to insuring those mortgages. Depending on economic conditions and the strength of FHA's Mutual Mortgage Insurance (MMI) fund, this may require FHA to change or maintain the rate of annual MIP it charges pursuant to Section 203(c)(2)(B) of the National Housing Act. In this case, FHA determined that more analysis and research was necessary to assess the impact of prospective adjustments to its MIP structure on the MMI fund. HUD will continue to monitor economic conditions and the strength of the MMI fund to determine if any change to the annual MIP rate is necessary.

I hope this information is helpful. If I can be of further assistance, please let me know.

Sincerely,

Seth D. Appleton
Acting Assistant Secretary for Congressional
and Intergovernmental Relations

FAXED

Work Requirements in Public Housing: Impacts on Tenant Employment and Evictions¹

William M. Rohe

Michael D. Webb

Kirstin Frescoln

Center for Urban and Regional Studies
University of North Carolina at Chapel Hill

September 2015

Abstract

In recent years, many have debated adopting work requirements in the Public Housing Program, and eight public housing authorities have implemented these policies through the flexibility provided by the Moving to Work demonstration. One such agency – the Charlotte Housing Authority (CHA) – has adopted a work requirement across five (of its 15) public housing developments that mandates heads of household work 15 hours per week or face sanctions. This paper evaluates this policy and presents the first empirical comparison of employment and eviction rates between those subject to the work requirement and a comparison group not subject to the policy. We find that, following work requirement enforcement, the percentage of households paying minimum rent (a proxy for employment) decreased relative to the comparison group. Analysis of additional data on both employment and hours worked indicates similar employment gains, but no increase in average hours worked. We find no evidence that work requirement sanctions increased evictions, and only modest evidence that enforcement increased the rate of positive move-outs. Surveys of CHA residents indicate that a large proportion support work requirements in public housing. While our findings clearly support the effectiveness of the CHA's work requirement, we caution against imposing such a requirement before more research is conducted.

¹ This research was supported by the Charlotte Housing Authority under grant 09-1739. We would like to thank Rachel McCarthy and Kristin Porter for proofreading assistance in addition to Sydney Corn for help with data management. We would also like to thank LaRae Baumann, Ja'Shaun Brailey, Gainor Eisenlohr, and Gwen Isley at the CHA for providing administrative data and answering our many questions.

Introduction

One of the often-heard criticisms of the Public Housing and Housing Choice Voucher (HCV) Programs in the U.S. is that they actively discourage employment among program participants.² Because they base rents on 30 percent of adjusted income, 30 cents of every additional dollar earned by participants goes to increased rent before work-related expenses and deductions in other social benefit programs are considered. Moreover, when incomes rise to a certain level, housing assistance is phased out entirely. Calculating rents thusly may be one reason why only 55 percent of work-able (that is, non-elderly and non-disabled) public housing tenants have any wage income – and among those, most earn below the federal poverty level (Schwartz, 2015).

Since the mid-1980s, Congress has introduced several demonstration programs and policy reforms to increase employment among public housing families. As will be described in more detail below, these efforts have sought to overcome disincentives to work by offering positive enticements such as escrow accounts and work preparedness services – e.g., employment counseling, education, and job training – that address barriers to employment. The success of these programs in increasing employment and wages has been limited, however, due to a combination of constrained capacity and lack of resident interest (Ficke & Piesse, 2004; Rohe & Kleit, 1999).

One new approach – so far available only to the 39 public housing authorities (PHAs) participating in the Moving to Work demonstration – is imposition of work requirements, which require work-able public housing residents to work a minimum number of hours per week (Webb, Frescoln, & Rohe, 2015). If residents fail to meet the requirement, sanctions – such as rent increases and eventual eviction – are imposed. Many PHAs couple work requirements with supportive services like job training, educational assistance, and childcare and transportation subsidies to help residents obtain and maintain employment. These policies may also be phased in over time to provide residents with an extended opportunity to comply with the new requirements.

This paper presents the first empirical analysis of the impacts of a work requirement on employment. More specifically, it assesses a work requirement introduced by the Charlotte Housing Authority (CHA) on residents living in five of its 15 public housing (Section 9) developments on: (1) the work efforts of public housing residents subject to it; (2) the rates of sanction and eviction resulting from its enforcement; and (3) tenants' attitudes toward the work requirement.

² For brevity, we refer to the Public Housing and HCV Programs as the “public housing program” throughout the paper. We also refer to participants in these two programs as “public housing residents.” When discussing development-based public housing (i.e., Section 9) exclusively, we will refer to these as “public housing (Section 9) developments.”

Arguments for a work requirement

Policy-makers, public housing administrators, and other stakeholders have offered several arguments in favor of work requirements: (1) to counteract the negative work incentives inherent to the program; (2) to increase the financial health of public housing authorities; (3) to serve more low-income families in need of subsidized housing; and (4) to increase economic diversity and establish an environment of work among residents in low-income housing developments.

Negative work incentives

Many policy-makers and much of the public believe that work-able public housing residents should make every effort to increase their incomes so they no longer need housing subsidies. Moreover, there is concern that some public housing residents are not doing that. As stated earlier, recent figures show that almost half of households classified as having a work-able adult report no wage income. Some critics argue that relatively low rates of employment among work-able public housing residents result from lack of personal motivation (Mead, 1998). Michael Leavitt, Secretary of Health and Human Services under George W. Bush, invoked the personal motivation perspective by arguing that “[a] critical benefit of strong work expectation and activities is the ability to acclimate recipients to a working lifestyle – not simply learning how to do a specific job, but to learn through experience what it takes to be employed and remain employed” (Fording, Schram, & Soss, 2013, p. 646).

Other critics highlight aspects endemic to the public housing program that undermine work incentives, thus causing relatively low employment rates among residents. First, program participants feel less pressure to work if housing – one of life’s basic needs – is ensured (Olsen, Tyler, King, & Carrillo, 2005; Susin, 2005). Second, public housing rents are based on a percentage of household incomes³ which, in effect, levies a substantial tax on earnings (Riccio, 2008). These higher rents – coupled with reductions in other benefits that often accompany wage increases – may offset any additional income earned (Newman, 1999).

By imposing work requirements, PHAs hope to overcome these disincentives by requiring residents to gain employment to continue living in public housing. PHAs see work requirements as providing a strong disincentive to unemployment for work-able program participants – particularly when paired with rent reforms that allow residents to retain more of their income increases.

³ Except in some situations in the HCV Program, public housing rents are set at 30 percent of the household’s income, adjusted for deductions like childcare and out-of-pocket medical expenses.

PHA financial health

Another argument for work requirements is that they will increase PHAs' financial health at a time of declining federal subsidies. Since 1969 – when the federal government stipulated that rents must be based on a percentage of tenants' adjusted incomes – the U.S. Department of Housing and Urban Development (HUD) has provided operating subsidies to fill the gap between tenant rent receipts and the costs of operating the units (von Hoffman, 2012). The importance of these subsidies has grown over time. By 2003, operating subsidies made up about half of a typical PHA's operating budget (McClure, Schwartz, & Taghavi, 2015; Stockard et al., 2003). In recent years, however, Congress has consistently allocated less operating support to PHAs than called for under the HUD formula. Thus, PHAs must either find other sources of funds to close this gap or reduce spending (Levitz, 2013). If effective, work requirements can increase tenant incomes – and, as a result, rent receipts – thus improving PHAs' bottom lines.

Serving more families

Work requirements may also open up the limited supply of public housing for other low-income residents. A key feature of the public housing program is that it is not an entitlement: qualified households are not guaranteed to receive assistance. Because Congress has consistently underfunded public housing operating subsidies, only approximately one-quarter of all qualified households receive housing assistance (Schwartz, 2015). As a result, most PHAs have long waiting lists, and households can wait 10 or more years to receive assistance. Insufficient funding further means that millions of households receive no assistance and are living in "worst case" housing conditions – defined as those paying more than 50 percent of their incomes for rent or living in dilapidated or overcrowded housing (Steffen et al., 2015). One way to serve more families is to cycle recipients through the program more rapidly. Graduating people out of public housing and off housing assistance opens up opportunities for those on waiting lists. Thus, to the extent that work requirements lead to income increases and subsequent moves to unsubsidized housing, the policy will result in more eligible families being served.

Increase economic diversity and create a culture of work

Another argument for work requirements is that they can help diversify the income characteristics of public housing residents and lessen the negative impacts of concentrated poverty on individuals and communities (Falk, McCarty, & Aussenberg, 2014). The public housing program has always been targeted to households that could not reasonably afford private-market housing. Over time, however, federal proscriptions for who should have priority for the limited amount of housing assistance have changed dramatically, resulting in a concentration of very low-income households living in public housing (Section 9) developments (von Hoffman, 2012). Although more recent federal policy has sought to

address this concentration, as of 2013, the annual average income of public housing households was only \$13,724, and only 18 percent had incomes over \$20,000 (Schwartz, 2015).

Critics of public housing assert that it both concentrates high-poverty families and is racially segregated, and numerous studies have demonstrated that spatially-concentrating very low-income households can exacerbate crime and other behaviors commonly associated with the “culture of poverty” (Briggs, Popkin, & Goering, 2010; Goetz, 2013; Lewis, 1959; Massey & Denton, 1993; Reingold, Van Ryzin, & Ronda, 2001; Turner, Popkin, & Rawlings, 2009; Vale, 2000; Wilson, 1987). Further, many believe that individuals will be more likely to engage in work and other socially-responsible behaviors if they are living in a community that exhibits and values these behaviors (Graves, 2011; Joseph, Chaskin, & Webber, 2007; Kleit, 2005). If successful, work requirements can increase employment in public housing, thus reducing concentrations of poverty and creating a social milieu of work.

Arguments against a work requirement

Not everyone, however, is supportive of public housing work requirements. Social justice advocates argue that safe and affordable housing should be a basic human right and that policies that interfere with this right – such as work requirements – are unjust. The National Low Income Housing Coalition, for example, has come out firmly against them, arguing that “self-sufficiency contracts and time limits should [not] be allowed in federal housing safety net programs” (Couch, 2014, 4-18-4-19). The primary arguments against public housing work requirements are that: (1) they infringe on individuals’ “right to housing;” (2) the characteristics of public housing residents present major obstacles for finding and maintaining employment; and (3) work requirements may lead to an increase in homelessness.

A right to housing

In recent years, many activists have called for a “right to housing” – that is, the belief that everyone has the right to decent, safe, and secure housing regardless of personal circumstances (Bratt, Stone, & Hartman, 2006; Bratt, 2002; Edgar, Doherty, & Meert, 2002; Stone, 1993). From this perspective, imposing work requirements as a condition of housing assistance is seen as unfair. Rachel Bratt, a prominent advocate for such a right, wrote “I would only favor work requirements in public housing if **everyone** who gets some kind of housing subsidy (including those who take the home mortgage interest deduction) is subject to the same requirements” (emphasis in original) (Bratt, personal communication, July 22, 2015). Bratt asks, “What is the justification for singling out a poor public housing resident who may, in fact, get a lower subsidy amount than a wealthy homeowner [who takes the mortgage interest deduction]?” Moreover, she argues that any kind of work mandate should be supported by a comprehensive set of services including caseworkers and job counselors (Bratt, personal

communication, July 22, 2015). Evicting non-compliant residents – who are already low-income – is seen by many resident advocates as unfairly targeting already vulnerable families (Fischer, 2015).

Barriers to employment

Public housing residents often have personal characteristics – such as limited education, poor health, and limited work histories – that make it difficult to find and keep employment, even in a good economy. Tenant advocates argue that: “. . . tenants should not have to do x, y, or z unrelated to complying with the housing-related terms of their lease to maintain their housing assistance. Work requirements threaten the housing stability of tenants, who may well have erratic working experiences but nonetheless need housing” (Linda Couch, personal communication, July 22, 2015). Evidence from work requirements imposed under Temporary Assistance to Needy Families (TANF) indicates that sanctioned households face more barriers to compliance: they have more children, less work experience, an ill or disabled housing member, or other significant obstacle to employment (Hasenfeld, Ghose, & Larson, 2004).

Increased homelessness

Another argument against work requirements is that, as PHAs evict non-compliant families, they may substantially increase homelessness. This, then, may shift the burden of housing these families to local homeless assistance agencies, resulting in a need for increased public funds to re-house these households. It may also have dramatic short- and long-term impacts on social services needed by evicted households. In discussing the possible impacts of work requirements and time limits, Fischer (2015) suggests that they could significantly undermine the voucher program’s effectiveness in reducing homelessness, overcrowding, and housing instability.

Prior efforts to address employment among public housing tenants

Concerns about the concentration of unemployment and poverty in public housing have been long-standing, and HUD has introduced several policies and programs to address them. Unlike punitive work requirements, most of these initiatives have either incentivized employment or increased the employability of public housing residents. These efforts, however, have been limited in scope and effectiveness (Ficke & Piesse, 2004; Rohe & Kleit, 1999).

One set of initiatives falls into the category of “self-sufficiency” programs, in which PHAs collaborate with local service providers to offer education, job training, and other supports so that program participants can increase their incomes and move to unsubsidized housing. Introduced in 1984, the first such initiative – Project Self Sufficiency – provided additional vouchers to PHAs that developed programs to help residents achieve “economic independence,” defined as no longer requiring federal housing assistance (Office of Policy Development and Research, 1987). Implemented locally by a coordinating committee of representatives from the PHA and local service providers, each program conducted

individualized assessments of participants and provided case managers to help participants secure services. The Gateway Transitional Families Program incentivized employment by diverting rent increases following wage gains into escrow accounts that participants could use to support their work or training efforts and move to unsubsidized housing (Rohe & Kleit, 1997).

Experience with these demonstrations led to the development of the Family Self-Sufficiency (FSS) Program, authorized in 1990 and still active today. Like earlier self-sufficiency programs, FSS escrows some rent increases that result from wage gains (Rohe & Kleit, 1999). In fiscal year 2012, 68,548 HCV recipients and 14,386 public housing residents participated in FSS (Scirè, 2013). While these figures are not trivial, they represent a very small percentage of work-able public housing residents. Furthermore, evaluations of FSS indicate that a large percentage of participants leave the program prior to completion (de Silva, Wijewardena, Wood, & Kaul, 2011). HUD also currently supports two smaller self-sufficiency programs: the Resident Opportunity and Self-Sufficiency (ROSS) and Community and Supportive Services (CSS) program for HOPE VI grantees.

Another approach to addressing low employment rates among public housing residents is embodied in the Jobs-Plus Demonstration, initially implemented in six different sites. Introduced in 1996, Jobs-Plus seeks to create a community-wide culture of work by providing residents with job training and job placement assistance. Like FSS, Jobs-Plus also delays rent increases due to increased incomes; some sites charged residents flat rents that increased over time, while others reduced the percentage of income that residents paid toward rent (Bloom, Riccio, & Verma, 2005). Case managers help residents locate both training and employment opportunities. Finally, each Jobs-Plus site undertook several activities to strengthen community support for work. These included the development of peer support groups, work-related information-sharing, and other “work-supporting social capital.” HUD recently funded another pilot program that replicates the basic program model in nine PHAs (Castro Ramirez, 2015).

Congress also addressed employment among public housing residents in several provisions of the 1998 Quality Housing and Work Responsibility Act (QHWRA, P.L. 105-276). Community Service and FSS provisions within QHWRA require residents of public housing (Section 9) developments (but not HCV holders) to perform eight hours of community service or participate in a self-sufficiency program for at least eight hours monthly.⁴ QHWRA directs PHAs to not renew leases for those failing to satisfy the requirement, although households are given three months to come into compliance. Moreover, PHAs must seek cooperative agreements with local agencies to provide services and help residents comply with

⁴ The act also includes a long list of persons who are exempt from this requirement, including those who are already working, in a training program, elderly or disabled, and other groups.

community service requirements. Because QHWRA does not explicitly require paid employment, however, it falls short of what work requirement supporters would like to see.

To incentivize employment, QHWRA also includes several provisions that impact rents paid by residents. First, it authorizes PHAs to set minimum monthly rents – no greater than \$50 per month – and agencies must develop a process for determining hardship exemptions for minimum rents; possible hardships include a death in the family and the “prospect of eviction” (Falk et al., 2014). Second, QHWRA also authorizes transitional ceiling rents – where rents are capped at an upper-limit for a specified period of time – to allow households to save funds for the costs of moving into unsubsidized housing. Finally, QHWRA allows PHAs to disregard wages from household members who were previously unemployed or on TANF for up to 12 months, and then to phase in rent increases over time. This is designed to, at least temporarily, mitigate the negative work incentives for some public housing residents.

Work sanctions in the TANF program

Given the lack of prior research on impacts of public housing work requirements, we turn to the public welfare field to see what might be expected. Requirements that welfare recipients seek employment have long been part of welfare programs (Hasenfeld et al., 2004). The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA, P. L. 104-193, commonly known as “welfare reform”), however, substantially strengthened both work requirements and sanctions for the Temporary Aid to Needy Families (TANF) program (Fording et al., 2013). Non-compliant households would have their benefit levels reduced and eventually terminated. U.S. states, however, have discretion to implement various sanctions, such as reducing benefits for just the adult or for the entire family, and/or whether to impose a partial or full reduction of benefits. A majority of states have adopted especially severe sanctions that involve the total loss of benefits for both adults and children until the recipient complies with the work requirement (Floyd, Pavetti, & Schott, 2015). Specific work requirements also vary by state, but TANF stipulates that states must have half of participants involved in work activities for at least 30 hours per week (or 20 hours for single parents with small children) or face a fiscal penalty.

Research on welfare reform impacts consistently find that the percentage of TANF-eligible families participating in the program has decreased dramatically since its implementation. A recent U.S. Government Accountability Office report, for example, indicates that eligible families receiving TANF decreased from 84 percent to 40 percent (Brown, 2010), and there is general agreement that the work sanctions have greatly contributed to the overall decline in client caseloads (Fording, 2013). Recent research has shown that TANF work requirements have had a greater effect in reducing welfare rolls than time limits (also authorized through PRWORA), and that “[i]n FY 2010, 260,000 families had their

TANF case benefits ended because of refusal to comply with work requirements" (Falk et al., 2014, pp. 19-20).

Research on the impacts of sanctions on clients, however, has been less clear (Fording et al., 2013). The best-designed studies generally find that sanctioned clients experience lower earnings and greater hardship after exiting the program compared to unsanctioned clients. In analyzing longitudinal data from Florida, Fording et al. (2013, p. 669) report that "sanctioning has a statistically-significant negative effect on earnings among TANF clients" when compared to a matched sample of non-sanctioned clients.

Regarding the characteristics of sanctioned households, Hasenfeld et al. (2004) found that sanctioned welfare recipients in California are more likely to be disadvantaged and face more barriers to compliance compared to non-sanctioned ones. In particular, sanctioned recipients were more likely to be younger, have more children, lack a car, or have a disabled household member. They conclude that work requirement compliance is closely related to barriers to employment, not resistance to the policy. In addition, they suggest that when welfare policies acknowledge and accommodate these barriers, impacted recipients are less likely to face sanctions. They also argue that practices of local welfare offices are a significant factor in the sanctioning of recipients. Thus, it is not just the sanctions themselves but how they are administered that may determine their impacts.

Based on the research outlined above, we expect that public housing work requirements would have negative impacts on employment and earnings due to increased housing instability. Furthermore, we would expect that the most vulnerable program participants are most likely to face sanctions and potential eviction. As noted by Hasenfeld et al. (2004), however, if work requirements are specified and implemented in a manner that recognizes and addresses barriers to compliance, these policies may have a positive impact on employment without increasing the rate of tenant evictions.

Experience with work requirements

Moving to Work demonstration

Several PHAs have implemented work requirements through participation in HUD's Moving to Work demonstration program. Authorized by Congress in 1996, Moving to Work (MTW, P.L. 104-134) provides PHAs the ability to explore innovative ways of providing decent and affordable housing to low- and moderate-income households (Abravanel et al., 2004). MTW has three statutory goals: (1) increase housing choices for low-income households, (2) assist participating households in achieving self-sufficiency, and (3) deliver services in more cost-effective ways. To achieve these goals, participating PHAs are provided two flexibilities. First, they may combine their primary federal funding streams – such as operating, Housing Choice Voucher Program, and capital improvement funds – into a single, flexible

account. Second, PHAs may request waivers from various HUD regulations, such as how often to inspect voucher holders' units or whether to introduce a work requirement.

Among the 39 PHAs participating in MTW as of July 2015, eight have implemented work requirements;⁵ participants subject to these policies must work a specified amount or face sanctions (Webb et al., 2015).⁶ Required work efforts vary between 15 and 30 hours per week, and sanctions for non-compliance include reductions in housing subsidy (i.e., higher rents) and/or eviction. Most PHAs with work requirements allow households to fulfill the policy – at least for a limited time – through education, job training, or other work-related activities. Despite MTW's classification as a demonstration program, HUD has not sponsored any systematic evaluation of work requirement impacts.

CHA's work requirement

The Charlotte Housing Authority (CHA) joined MTW in December 2007, and has implemented several major initiatives through the program (Rohe, Webb, & Frescoln, 2015). These include rent reforms – including a \$75 minimum rent and incentive accounts for all residents, diversifying its housing portfolio by partnering with other agencies to develop supportive housing for the homeless, and a work requirement paired with on-site case management in five of its 15 public housing (Section 9) developments.

The CHA's work requirement stipulates that work-able heads of household are employed at least 15 hours per week. The CHA provides on-site case managers to help residents meet the work requirement, such as referring them to job placement programs. Residents may use "work-related activities" to fulfill the policy; these include community service, educational courses, and/or job training. Non-compliant residents face rent sanctions. These include, in order: (1) a two-month probationary period,⁷ (2) losing half their rental subsidy for six months, (3) complete loss of rental subsidy for six months, and (4) eviction. Residents may eliminate sanctions at any point by coming into compliance, either by working or completing work-related activities through an "Improvement Plan," which entails weekly meetings with their case managers.

⁵ Atlanta, Champaign County (IL), Charlotte, Chicago, the Delaware State Housing Authority, Lawrence-Douglas County (KS), Louisville, and San Bernardino.

⁶ Several other MTW agencies have implemented policies that function as quasi-work requirements – such as raising minimum rents to a level (e.g., \$200 per month) – whereby tenants would almost certainly need some wage income to meet the rent payment. Note, however, that these policies do not require PHAs to verify whether participants are employed.

⁷ The two-month period is to provide legal notice to the tenant that his/her rent will be increased, and to complete the necessary administrative tasks. The CHA provided a one-time three-month probationary period at the beginning of sanctions.

Among the five work requirement sites, two (Claremont and Victoria Square) previously housed only participants in the CHA's FSS program. As such, residents had applied to and been accepted into the FSS program, had relocated to these developments, and were receiving on-site case management prior to work requirement implementation. The other three sites (Cedar Knoll, Leafcrest, and Tarlton Hills) were not FSS sites; residents of these developments were not participating in any self-sufficiency program when the work requirement was introduced. Instead, the CHA selected these sites because of their proximity to both transit and employment opportunities. The agency did not allow residents to transfer to non-work requirement developments prior to implementation, and began providing case management at these sites in September 2011.

The CHA initially planned to enforce the work requirement in September 2012, one year after beginning case management at the non-FSS sites. However, high unemployment rates in Charlotte and staff turnover caused the CHA to delay enforcement until January 2014. Households received notification in October 2013 that enforcement would begin in January, and all non-compliant households were urged to find employment either on their own or with help from their case manager. Prior to implementing sanctions, case managers reassessed residents' work ability and temporarily exempted 32 households (of 139 eligible) from the policy while they sought disability status.

Evaluation Design

Adopting Cook and Campbell's (1979) terminology and notation, our evaluation uses a modified "untreated comparison group with pretest and posttest" research design. The design is:

Treatment Group:	O ₁	X ₁	O ₂	X ₂	O ₃
Comparison Group:	O ₁		O ₂		O ₃

Where: O denotes observations and X denotes treatments. Observations (data collection) of our dependent variables took place during three time periods for both the Treatment and Comparison Groups. The first treatment (X₁) was the introduction of case management and enhanced services in September 2011. The second treatment (X₂) was the introduction of sanctions for non-compliant households in January 2014.

Analysis comprises difference-in-differences tests of work outcomes between the Treatment and Comparison Groups between O₁ and O₂, and between O₂ and O₃. To control for households entering and leaving the CHA, we construct a panel dataset of families living in CHA housing in both September 2011 and December 2014. If case management was effective in increasing employment, we would expect to see significantly greater employment gains for the Treatment Group between O₁ and O₂ relative to the Comparison Group. If the combination of case management, services, and sanctions were effective, we

would expect to see significantly greater employment gains between O₂ and O₃ for the Treatment Group versus the Comparison Group.

As mentioned above, the Treatment and Comparison Groups were not equivalent at baseline – a common problem with quasi-experimental research. Residents of Claremont and Victoria Square had opted in to the FSS program and were receiving case management and supportive services prior to work requirement implementation. In the analysis presented below, we refer to this group as Treatment Group A.

In contrast, residents of the non-FSS developments had not made any affirmative choice to move toward self-sufficiency. We refer to this group as Treatment Group B. Given the different histories and characteristics of residents of these two sets of developments, the data analysis will consider them both together and separately.

One would expect that residents in both treatment subgroups and in the Comparison Group (i.e., non-work requirement developments) have different household characteristics (see Table 1). To address these differences, we employ nearest-neighborhood propensity score matching using income sources (e.g., wages, disability, medical allowances) and household size at the beginning of the study period. Given the size disparity between the Comparison and Treatment Groups – in addition to relatively small size of the Treatment Groups – we use 3:1 matching without replacement (Guo & Fraser, 2010; Rosenbaum & Rubin, 1985). Table 1 compares both the Treatment and Comparison Groups on both household size and income sources at the beginning of the study period. Difference-of-means t-tests reveal that the matched Comparison and Treatment Groups are not significantly different on any of the characteristics analyzed. However, because differences between the Control and Treatment Groups continue to exist, we utilize several of these characteristics as controls in the difference-in-differences regressions.

Table 1: Descriptive statistics of treatment group and matched and unmatched control groups

Variable	Unmatched control N=341	Matched control N=219	Treatment N=73
Household size	2.93	3.16	3.01
Wage income	\$2,934*	\$3,890	\$4,633
Non-wage income	\$2,302	\$2,534	\$3,024
Total income	\$5,237**	\$6,253	\$6,988
Total allowances	\$1,739	\$1,824	\$1,664
Adjusted income	\$3,805**	\$4,760	\$5,613

* - Significant difference with treatment group at $\alpha=0.10$
** - Significant difference with treatment group at $\alpha=0.05$

Data sources

This paper draws upon data from four sources. First, we utilize CHA administrative data – specifically from the Multifamily Tenant Characteristics System (MTCS) – which report households' size,

income from various sources (e.g., wages, child support, pensions, and social security), and rent paid. However, when the CHA implemented biennial income re-certifications in October 2013, it ceased reporting household income changes between re-certifications. For those tenants paying minimum rent (\$75), however, the CHA continues to verify their income monthly. As such, we utilize minimum rent as a proxy for employment in one of the subsequent analyses.⁸ As mentioned earlier, to control for households entering and leaving the CHA, we construct a panel dataset of families living in CHA housing in both September 2011 and December 2014. We also source sanctions for non-compliance and the number and reasons for tenants leaving the CHA (e.g., evictions) from administrative data.

Second, we analyze End-of-Month (EOM) data collected by on-site case managers to track residents' work efforts. Unlike the MTCS, EOM data includes information on whether a client is working and, if so, the number of hours worked per week. We similarly construct a panel of residents living with the CHA in December 2012 and December 2014 for EOM data analysis. While there is no comparable data for residents in the Comparison Group, EOM data provide direct information on employment changes over time.

Third, we draw on responses from two population surveys of tenants of the CHA's family conventional public housing (Section 9) developments conducted in 2013 (when the work requirement had been announced but not yet enforced) and 2015 (roughly one year after beginning enforcement). The surveys queried respondents' perceptions of, and responses to, the work requirement. The 2013 survey received 548 responses for a return rate of 54 percent, while 519 households returned the 2015 survey for a response rate of 53 percent.

Finally, we present data from 43 in-person interviews with CHA residents living in the five work requirement sites. These interviews covered topics including resident responses to the work requirement, perceptions of its fairness, and satisfaction with case management.

Findings

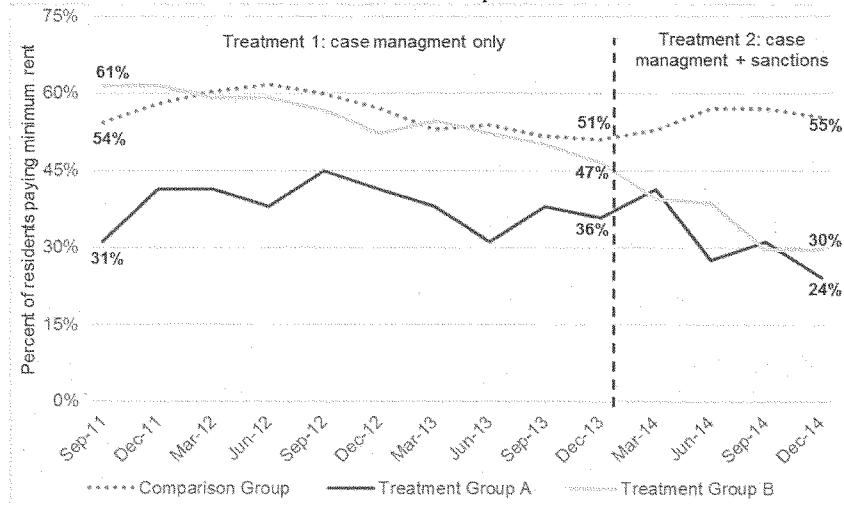
MTCS analysis

We begin analysis of the MTCS panel data by graphing the percentage of minimum renters between a baseline of September 2011 (when case management began for Treatment Group B) and

⁸ Households who are minimum renters earn less than \$3,000 annually in total income, adjusted for various allowances (e.g., out-of-pocket medical expenses or elderly/disabled household members). Residents may cease being a minimum renter for several reasons, including gaining employment or beginning to earn benefits, such as welfare or disability. As case managers work with residents to both gain employment and enroll in appropriate benefits programs, we feel that paying minimum rent is a good proxy of the effectiveness of supportive services and the work requirement.

December 2014 (see Figure 1). At baseline, 54 percent of Comparison Group households paid minimum rent; this figure fluctuated modestly between 62 percent (in June 2012) and 51 percent (in December 2013) but stood at 55 percent in December 2014, one percentage point higher than baseline. For Treatment Group B – the non-FSS sites – 61 percent of households paid minimum rent at baseline, but that figure declined to 31 percent by December 2014. As one would expect, fewer Treatment Group A residents paid minimum rent at baseline (31%). That figure rose to 45 percent in September 2012 before decreasing to 24 percent in December 2014. The decline in minimum renters among Treatment Group B was relatively steady throughout the study period but accelerates after enforcement of the work requirement. The decline in minimum renters among Treatment Group A also accelerates after March 2014, one quarter after work requirement enforcement began.

Figure 1: Percent of Comparison and Treatment Group households paying minimum rent, September 2011–December 2014. Line denotes work requirement enforcement.



To test whether the introduction of Treatment 1 – on-site case management and supportive services – had a statistically-significant impact on the percentage of minimum renters, we conduct a difference-in-differences analysis between both Treatment Groups and the Comparison Group from September 2011 to December 2013 – the month before work requirement enforcement began. The change in minimum renters among the Comparison Group was minus 3 percent over this time period, while for Treatment Group B it was minus 14 percent, an 11 point difference of differences (see Figure 1). The percent of Treatment Group A residents paying minimum rent actually increased by 5 percentage points.

A regression model testing whether the difference-of-differences between each of the Treatment Groups and the Comparison Group – controlling for baseline indicators of adjusted income, age, and household size – indicates that changes in minimum renters for both Treatment Groups are not significantly different from those of the Comparison Group (see Table 2). This indicates that on-site case management alone did not decrease the percentage of minimum renters in the two Treatment Groups in a statistically-significant manner.

Table 2: Difference-in-differences test of Treatment 1 (case management alone) on Comparison and Treatment Groups. Treatment variables that are statistically significant are in bold.

Variable		B	Beta	t	sig
Treatment	If in Treatment Group A	0.01	0.00	0.07	0.95
	If in Treatment Group B	0.07	0.05	0.83	0.41
Controls	Adjusted income	-0.03	-0.40	-7.17	0.00
	Age	0.00	-0.08	-1.30	0.19
	Household size	-0.02	-0.05	-0.83	0.41
	(Constant)	0.41		2.56	0.01

In contrast, a difference-in-differences test indicates that Treatment 2 – work sanctions in addition to case management – did have a statistically-significant impact on the proportion of minimum renters (see Table 3). Between December 2013 (one month before sanctions began) and December 2014, the percentage of Comparison Group minimum renters increased by 4 percent, while the percentage among Treatment Group B decreased by 17 percent, a 21 point difference in differences. The percentage of minimum renters among Treatment Group A decreased by 12 percent resulting in a 16 point difference in differences. The regression model indicates a statistically-significant difference in the decreases between the Comparison Group and both Treatment Groups.

Table 3: Difference-in-differences test on outcome of Treatment 2 (case management and work requirement enforcement) on Treatment and Comparison Groups. Treatment variables that are statistically significant are in bold.

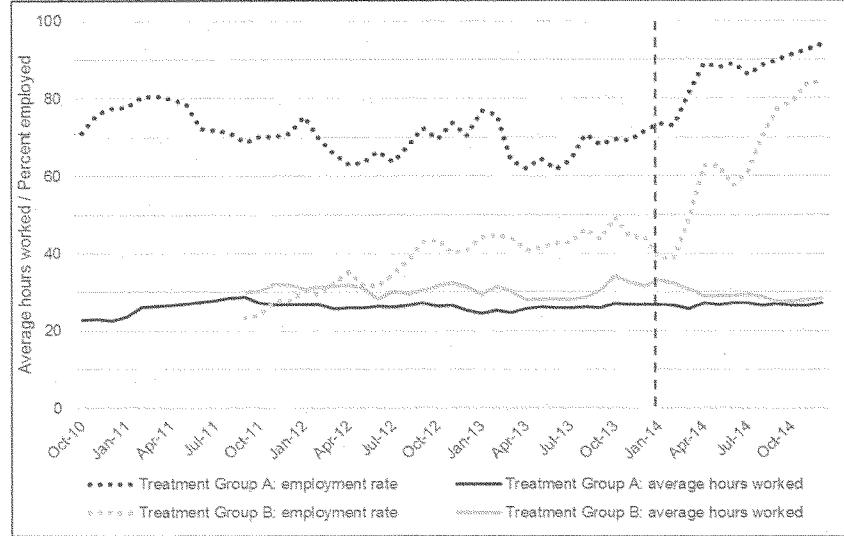
Variable		B	Beta	t	sig
Treatment	If in Treatment Group A	0.23	0.15	2.54	0.01
	If in Treatment Group B	0.23	0.18	3.05	0.00
Controls	Adjusted Income (000s)	-0.01	-0.15	-2.58	0.01
	Age	0.01	0.12	1.88	0.06
	Household size	0.04	0.11	1.81	0.07
	(Constant)	-0.31		-2.07	0.04

EOM analysis

Results of EOM data analysis – which reports hours worked for those receiving case management – are consistent with the MTCS results presented above: the percentage of employed residents in both Treatment Groups A and B increased substantially following work requirement enforcement in January 2014 (see Figure 2). The average hours worked among employed households, however, did not show a

similar increase; it remains between 25 and 30 despite the additional households working.⁹ Unlike the MTCS data presented above, EOM data is only collected for those at the work requirement sites, and thus no Comparison Group data is available.

Figure 2: Employment for residents active in case management. Line denotes work requirement enforcement.



To test whether Treatments 1 and/or 2 resulted in statistically-significant employment gains, we utilize a McNemar test of marginal homogeneity to evaluate changes in EOM-reported employment for the 12-month periods both prior to and following work requirement enforcement (December 2012–December 2013 and December 2013–December 2014, respectively). We draw on panel data of work requirement residents between December 2012 and December 2014. The McNemar test analyzes changes in proportions of dichotomous characteristics (such as working or not working) on data and is thus appropriate for this analysis (Rice, 1995).

⁹ In additional analyses (available from the authors), we examined average hours worked between those employed before work requirement enforcement and those who gained employment following enforcement. We found that, among those previously working, hours worked did not increase following work requirement enforcement for either Treatment Group A or B (between 30-35 and 25-30 hours, respectively). Those gaining employment following enforcement worked slightly fewer hours, on average, than households previously employed (between 25-30 hours for Treatment Group A and 20-25 hours for Treatment Group B).

In December 2012 – one year prior to the introduction of sanctions¹⁰ and 15 months following the beginning of case management – 51.3 percent (39 of 76) of work requirement residents were employed (see Table 4, top panel). While this figure increased to 58 percent (44 of 76) in December 2013 – immediately before enforcement of the work requirement – this gain is not statistically significant (McNemar statistic of 1.19, p=0.353). However, by December 2014, 88 percent (67 of 76) of work requirement residents were employed; this increase over December 2013 figures is statistically significant at the $\alpha=0.001$ level (see Table 4, bottom panel). These results support findings from the MTCS analysis: case management alone did not result in statistically-significant increases in work efforts, while case management combined with work requirement enforcement did coincide with significant employment gains.

Table 4: McNemar test on employment rates, December 2012–December 2013 and December 2013–December 2014

		December 2013		Total
		Unemployed	Employed	
Treatment 1	December 2012	24	13	37
	Employed	8	31	39
	Total	32	44	76
McNemar statistic: 1.19 p=0.383				
Treatment 2		December 2014		Total
		Unemployed	Employed	
	December 2013	7	25	32
	Employed	2	42	44
Total		9	67	76
McNemar statistic: 19.59 p<0.001				

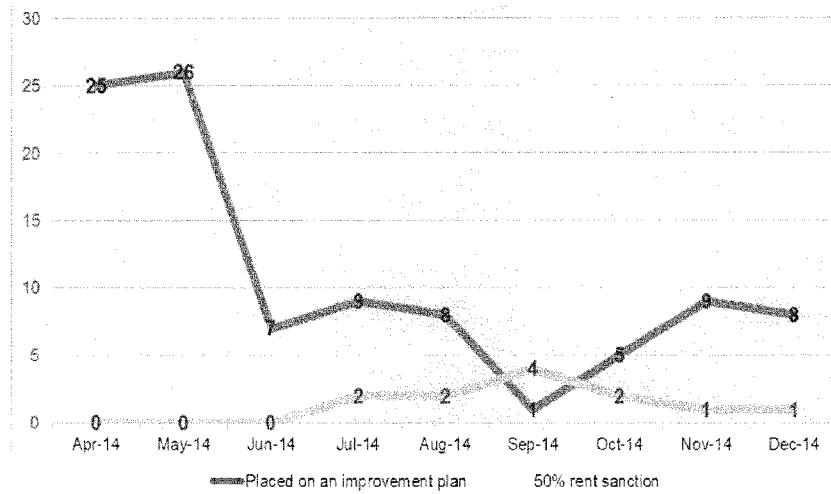
Work requirement compliance, sanctions, and move-outs

To investigate compliance and sanctions associated with the work requirement, we turn to CHA enforcement data. The data indicate that a large majority of residents are compliant with the work requirement and that compliance has increased substantially over time (see Figure 3). While 25 and 26 non-compliant residents were placed on an Improvement Plan (i.e., they were non-compliant but had no rent sanction) in April and May, this number decreased to seven in June and remained under ten throughout the remainder of 2014. The number of residents remaining non-compliant for more than three months and, thus, receiving a 50 percent rent sanction varies between two and four; all told, only six

¹⁰ Note that, at this time, residents were unaware when the CHA would begin enforcing the work requirement in January 2014.

unique residents were sanctioned between July and December 2014. Of those households, only one was evicted due to non-payment of the increased rent.

Figure 3: Work requirement sanctions levied, April–December 2014



The decrease in households on Improvement Plans in June 2014 is due to 14 completing work-related activities, three gaining employment, and two receiving disability status. Among those transitioning to work-related activities in June, eight later gained employment in 2014.

As discussed earlier, work requirement proponents hope these policies will increase positive move-outs from public housing, thus freeing up units for households on often-lengthy PHA waitlists. In contrast, policy opponents fear that work requirements will result in greater evictions, especially for the most vulnerable residents.

To compare the number and rate of positive and negative move-outs in both work requirement sites and other CHA public housing (Section 9) developments, we compare data in both 2013 (the year prior to work requirement enforcement) and 2014 (the year following enforcement). Positive move-outs occur when CHA tenants move to unsubsidized housing, while negative move-outs (i.e., evictions) follow failure to pay rent, violating lease terms, or moving without notice.

We find that positive move-outs increased for the former FSS sites (Treatment Group A) from 1.2 percent of tenants in 2013 to 8.5 percent in 2014 (see Table 5). However, we did not find this increase for the non-FSS work requirement sites. The positive move-out rate for households not subject to the work

requirement increased modestly, from 1.0 percent to 1.2 percent. While we find some evidence that work requirement enforcement increased the rate of positive move-outs, we caution that the numbers presented here are small, and that this analysis does not use the panel data presented earlier.

Table 5: Move-out rates for CHA's public housing residents, 2013-2014

Housing	Type of Move-out	2013 # (%)	2014 # (%)
Conventional (Comparison Group)	Negative	60 (3.1)	52 (2.7)
	Positive	20 (1.0)	23 (1.2)
Former FSS (Treatment Group A)	Negative	6 (7.3)	0 (0)
	Positive	1 (1.2)	7 (8.5)
Non-FSS (Treatment Group B)	Negative	8 (5.4)	8 (5.4)
	Positive	2 (1.4)	1 (0.7)
Total	Negative	74 (3.4)	60 (2.8)
	Positive	23 (1.1)	31 (1.4)

Concerning negative move-outs, the eviction rate fell dramatically in Treatment Group A – from 7.3 percent in 2013 to 0 percent in 2014 – while it held steady for Treatment Group B (5.4% in both years). The eviction rate for tenants not subject to the work requirement showed a modest decrease (from 3.1% to 2.7%) over the two years. Thus, we find no evidence that work requirement enforcement increased the eviction rates for households subject to the policy.

Resident views and responses

To gauge support for work requirements among CHA residents, the 2013 client survey asked respondents if they felt work requirements for public housing residents were fair. We anticipated that support for the policy among residents subject to the work requirement would be lower than the support from those not impacted. Contrary to our expectations, 87 percent of residents subject to the work requirement believed the policy was fair compared to 80 percent of other public housing residents who felt the same way. Among those who did not believe the policy was fair, the most frequent reasons given were the lack of available jobs and difficulty securing employment.

The 2015 survey – conducted one year after work requirement enforcement – queried how residents had responded to the policy. Over half of all work-able respondents indicated that they had looked for a job, while over one-third reported they had found a new job (see Table 6). Slightly less than one-third indicated they had enrolled in a school or training program, and 22 percent reported they had begun working more hours. Finally, 19 percent of respondents indicated that they had not undertaken any of these activities.

Table 6: Client actions in response to the work requirement (respondents could check more than one response)

Response to work requirement	# (%)
Look for a new job	33 (52)
Find a new job	23 (37)
Enroll in a school or training program	19 (30)
Work more hours	14 (22)
None of the above	12 (19)

In-person interviews with residents subject to the work requirement also revealed broad support for the policy. One resident commented: "I just think if you have a roof over your head that's reasonable rent, you get help from all over the place, and you get transportation.... Work! That's just it." While most agreed that a work requirement is appropriate, many residents did not support evicting residents for not meeting that requirement, especially for circumstances beyond their control. For example, one resident worried that "[t]here may come a time when I have childcare issues and I lose my job. I pray that they are a little lenient towards those who are trying versus those that are not putting out the effort."

Conclusions and policy implications

In recent years, many have debated adopting public housing work requirements, and several PHAs have implemented these policies through MTW flexibility. To date, however, no systematic evaluation of work requirement outcomes has been conducted. This paper provides the results of the first research addressing this important issue.

Utilizing panel data to analyze a work requirement introduced by the Charlotte Housing Authority in five public housing (Section 9) developments, this paper has addressed three questions. First, did either case management alone or paired with a work requirement increase employment among residents versus those who did not receive these treatments? Comparing the percentages of households paying minimum rent – a proxy for employment – we find larger decreases in minimum renters among both Treatment Groups compared to the Comparison Group. That decrease, however, was only statistically significant following enforcement of the work requirement, *not* for the period when households were receiving case management alone.

End-of-Month data analysis on employment finds similar results: employment increased significantly following work requirement enforcement. Among those working, however, work requirement enforcement did not increase average hours worked. These results show that, by themselves, case management and enhanced services did not result in a statistically-significant increase in employment. The combination of case management and work requirement enforcement, however, did have such an impact.

Second, this paper has addressed whether work requirement enforcement led to sanctioning and/or increased eviction or positive move-out rates among impacted residents. We find that the number

of sanctioned residents is low, and that compliance with the work requirement has increased over time. In fact, only six households received a rent sanction between May and December 2014, and only one household was evicted due to failure to pay the higher rent. We also find that the negative move-out rate among work requirement tenants declined between 2013 (pre-enforcement) and 2014 (post-enforcement), which was consistent with the pattern of negative move-outs in the non-work requirement sites. Similarly, the rate of positive move-outs from the work requirement sites increased between 2013–2014, which was consistent with CHA developments not subject to the work requirement.

Overall, we find no evidence that sanctions increased evictions or other forms of negative move-outs. This is likely due to the CHA's emphasis on helping tenants reach compliance instead of adopting a punitive approach. For example, the policy includes a two-month probationary period for residents to reach compliance, in addition to allowing certain work-related activities to substitute for paid employment. Thus, at least in this instance, the imposition of public housing work requirements has not had the same impacts as those imposed in the TANF program discussed above.

Finally, this paper has assessed residents' perceptions of the work requirement – is it fair? – and how those subject to the policy have responded to it. More than 80 percent of survey respondents – including those impacted by the policy and those not subject to it – express general support for work requirements. Interviews of residents subject to the work requirement generally support this finding, although they would like to see the policy implemented flexibly. This finding suggests that most public housing residents have the same values concerning work as the larger society. Among those subject to the work requirement, over 80 percent of respondents indicated they had looked for employment, found a new or different job, enrolled in school or training, or worked more hours.

While these findings clearly support the effectiveness of the CHA's work requirement in increasing employment, our research has several limitations. For one, this study is not based on a random-controlled experimental design. Although we utilized propensity score matching to control for observed differences between the Treatment and Comparison Groups, unobserved characteristics could bias the results. The range of outcome variables is also limited: future research might assess work requirement impacts on mental or physical health, children's behavior, or other outcomes. Another limitation is that this study has only looked at the short-term outcomes, and we hope that future research tracks work requirement impacts over a longer time period. What happens, for example, when those who have found work lose their jobs? Will the same services be available to help them find a new one?

Policy implications

Given these limitations, we caution against drawing more general conclusions and believe it is premature to implement work requirements across the public housing program. In particular, several

aspects of how the CHA implemented the policy may be essential to the positive results. First, the CHA provided on-site case management and supportive services for over two years prior to imposing sanctions, and those services continued following enforcement. Second, the CHA delayed enforcement until the local economy had rebounded from the recent recession. Third, the CHA temporarily exempted residents identified as potentially having disabilities (but not officially classified as disabled), providing them an opportunity to apply for disability status. Fourth, the CHA's sanctions allowed for a two-month probationary period (three months at the onset of sanctions) during which case managers worked with residents to achieve compliance. Moreover, the CHA allows residents to engage in "work-related activities" as short-term substitutes for paid employment. Overall, then, CHA staff members were focused on helping residents comply with the work requirement, not on evicting tenants.

These issues also highlight potentially large obstacles to bringing work requirements to scale. Costs associated with providing case management and enhanced services to those in the work requirement sites were substantial. As a MTW participant, the CHA could shift funds from other program areas to pay for these services, but most PHAs do not have this flexibility. Moreover, we don't know the type and amount of both case management and enhanced services that are needed to produce outcomes similar to those found in this study. How often should case managers communicate with tenants? Which services are most important to positive work outcomes, and how long are these services needed before sanctions are imposed? Implementing a work requirement without adequate supportive services may result in a much higher eviction rate. These and other questions should be addressed before work requirements are expanded to the entire public housing program.

We also note that work requirement enforcement did not increase the average hours worked among those subject to it. This suggests that, while the policy was effective in increasing employment, newly-gained jobs were likely to be part-time work. It also suggests that hours worked, and presumably incomes, of households employed prior to enforcement did not increase. Thus, at least in this instance, the work requirement did not result in the kind of financial impact that would allow many residents to move out of public housing. The rents collected by the CHA, however, should have increased and positively contributed to the agency's fiscal health. Whether the increase in employment was enough to meaningfully reduce concentrated poverty – or create a social milieu of work – is a question for future research.

The MTW program offers a good opportunity to conduct additional research on work requirements and other innovations in the public housing program. Unfortunately, this program has not been implemented in a way that has produced such evaluations. As Congress debates both the reauthorization and expansion of MTW, it should mandate that participating PHAs evaluate the impacts of the innovations that substantially affect residents, such as work requirements. Further, Congress

should authorize additional funds to conduct such evaluations. Only through these means will we be able to understand the impacts of alterations in the public housing program on the tenants, PHAs, and the larger community.

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October 11, 2017

Dr. Benjamin S. Carson, Sr., M.D.
 U.S. Department of Housing and Urban Development
 451 7th Street S.W.
 Washington, DC 20410

Re: Concerns with the Rental Assistance Demonstration (RAD) Program

Dear Secretary Carson:

The National Housing Law Project (NHLp) writes to express concerns with the implementation and expansion of the Rental Assistance Demonstration (RAD) program and its impact on both low-income families and the nation's affordable housing stock.

NHLp is a legal advocacy center focused on increasing, preserving, and improving affordable housing; expanding and enforcing the rights of low-income tenants and homeowners; and increasing housing opportunities for protected classes. Our organization provides technical assistance and policy support on a range of housing issues to legal services attorneys and other advocates nationwide. In addition, NHLp hosts the national Housing Justice Network, a vast field network of over 1,000 community-level housing advocates and tenant leaders, many of whom practice in jurisdictions that have converted properties to RAD, are in the process of converting properties to RAD, or wish to convert properties to RAD.

We support the goal of the RAD program to preserve affordable housing and address the \$49 billion backlog of public housing capital needs, but we are troubled that the RAD program has nearly quadrupled in size over the last five years without any evaluation of its impact on tenants. The program has significant implementation challenges that have had drastic consequences for residents and the long-term preservation of affordable housing. These challenges are not limited to a few select owners or housing authorities, but are reflective of problems facing RAD conversions across the country and result from limited guidance and oversight in the program.

RAD cannot be a complete substitute for adequate funding of the public housing program, and it must be adequately implemented, monitored, and evaluated before further expansion occurs. HUD must take a more proactive role to enforce tenants' rights and prevent the loss of affordable housing.



Defining Success in the RAD Program

We urge HUD to reconsider how it defines the success of the RAD program. Currently, HUD claims that the RAD program has been successful because of (1) the number of RAD properties that have officially converted, (2) a reduction in HUD's processing times between RAD application and closing, and (3) the amount of money "leveraged" for construction investments. While these may be important indicators of success, they lack clarity and do not consider the impact of the RAD program on low-income tenants, the quality of the rehabilitated RAD-converted housing, or the future preservation of the property as affordable housing. The latest HUD-commissioned [RAD evaluation \(conducted by Econometrica, Inc.\)](#) focused only on the amount of funding leveraged by the RAD program. By the report's own admission, it did not look at the impacts of the RAD program on tenants. In fact, the report made several troubling findings that impact tenants, including:

- PHAs often sought to use RAD as an opportunity to remove their properties from the statutory and regulatory control of the public housing program, and
- PHAs are not necessarily proposing their neediest projects for RAD conversion and may be choosing the projects with the least amount of capital needs to convert the properties more quickly to RAD.

We remain concerned about these findings, among others, because a key purpose of the RAD program is to "preserve and improve public housing properties and address the \$26 billion dollar [in 2011] nationwide backlog of deferred maintenance." According to HUD, there have been many successful "on-paper" RAD conversions that have not proposed any rehabilitation or construction at the property. This is likely an indication that RAD is being used to change the regulatory framework for the property, but not actually address deferred maintenance. HUD must develop comprehensive criteria to assess whether PHAs are adequately assessing and addressing the physical needs of the RAD-converting property. The end result for tenants may be the same physical conditions but fewer rights. In addition, HUD must develop measures to assess the impact of RAD on low-income families and the long-term affordability of the property, before determining that any one RAD conversion, or the program in its entirety, is a success.

Impact of the RAD Program on Low-Income Tenants

NHLP works closely with legal services attorneys and tenant advocates across the country who report problems with the local implementation of the RAD program. The current challenges in RAD conversions often detrimentally impact low-income tenants. We highlight the most common implementation issues below and urge HUD to consider broad policy changes to prevent their future occurrence.

A. Transparency Before, During, and After the RAD Conversion

Tenants and advocates are routinely denied access to documents and plans related to RAD conversions, or are not provided the information in a timely manner. This creates a barrier to effective engagement in the RAD conversion and limits oversight of the program.

In order to effectively understand local RAD conversion plans and ensure enforcement of tenants' rights, advocates often need access to key RAD conversion documents, including:

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- The PHA's RAD application sent to HUD,
- Front-end civil rights reviews by HUD identifying any potential fair housing or civil rights concerns,
- RAD tenant relocation plans, and
- Post-conversion findings of noncompliance by HUD.

In addition, failure to provide the documents results in advocates having to commit significant resources to preparing and submitting FOIA requests (and state public records act requests, as applicable) for basic information regarding a particular RAD conversion. FOIA requests can be costly, including search costs ranging from \$21 to \$75 an hour and an additional fee for copies. Although these requests are subject to a fee waiver pursuant to 40 C.F.R. 2.107, the waiver is routinely denied, resulting in high costs to already under-resourced legal aid offices plus lengthy waits for documents that are needed immediately for effective representation. Consequently, tenants are unable to make informed choices and exercise their rights.

Regarding post-conversion transparency, HUD has only recently committed to collecting data from 90 randomly selected RAD-converted properties to "conduct preliminary compliance reviews of completed RAD conversions to better carry out oversight of relocation and verify construction activity." While we are encouraged by this initial step by HUD, it remains unclear what factors specifically HUD will be reviewing and whether this information will be publicly accessible. Since the RAD program was created five years ago, HUD has not proactively collected any data from RAD-converted properties to ensure compliance with federal law, regulations, and RAD-specific rights. HUD should make this data available and, in addition, address how it plans to proactively monitor the rest of the 225,000 RAD units nationwide.

B. Tenant Education of RAD Conversion Plans

Prior to submitting a RAD application, a housing authority is required to conduct at least two meetings with residents and provide an opportunity for comment. HUD requires that these meetings include a discussion of, at a minimum:

- whether the conversion will include a transfer of assistance,
- plans to partner with an entity other than an affiliate or instrumentality of the PHA if such partner will have a general partner or managing member ownership interest in the proposed project owner,
- changes in the number or configuration of assisted units or any other change that may impact a household's ability to re-occupy the property following repairs or construction,
- a *de minimis* reduction of units which had been vacant for more than 24 months at the time of RAD application, and
- the scope of work.

The RAD Notice (HUD Notice 2012-32, REV-3) requires that the PHA also have one additional meeting before HUD executes the HAP contract. Therefore, HUD only requires three meetings with residents between the time that the PHA is considering RAD and the time the property officially converts under RAD. Based on our experience and the experience of our partners, three meetings is entirely inadequate to explain the changes that residents will experience as the property converts, and to discuss the often complex options presented at the time of conversion.



In some cases, PHAs include only the information that is required by HUD, which leaves out important topics including temporary tenant relocation, whether the conversion will be to project-based vouchers or project-based rental assistance, how the PHA plans to maintain an interest in the property after the RAD conversion, and key tenant rights provided by the RAD program (i.e. right to remain, grievance procedures, prohibition on re-screening existing tenants). In other cases, PHAs do not even present the minimum amount of information as required by law. In either case, advocates nationwide report that resident meetings fail to capture the true impact of the RAD conversion on residents and their families.

Advocates also report accessibility issues with respect to the tenant engagement meetings. We have seen PHAs host meetings during work hours or at inconvenient times for residents, at hard-to-reach locations off-site, and in violation of applicable civil rights and language translation requirements.

HUD must take stronger action to ensure that these meetings educate residents before allowing the RAD conversion to proceed. HUD should (1) carefully review tenant comments and the PHA's responses, which PHAs are required to submit to HUD, (2) require more than three tenant meetings prior to a HUD conversion and (3) educate PHAs about the importance of having effective meetings that are accessible, informative, and provide an adequate opportunity for tenant participation.

C. Tenant Relocation

Often a RAD conversion involves temporary relocation of tenants to allow for construction or repair of the property. PHAs are required to participate in a planning process and take specific steps to minimize the adverse impact of relocation on tenants. This includes: 1) tenant relocation assistance; 2) certain relocation notices; 3) relocation advisory services; and 4) decent, safe, and sanitary temporary housing allocated on a non-discriminatory basis. The HUD RAD Fair Housing and Relocation Notice (HUD Notice 2016-17) also requires a written relocation plan if temporary relocation is anticipated to last more than 12 months and strongly encourages a written relocation plan for temporary relocation anticipated to last less than 12 months.

Despite these clear mandates, inadequate relocation policies are commonplace. NHLP and its local partners have seen the following problematic tenant relocation practices with respect to RAD:

- PHAs and owners failing to provide tenants with adequate notice as required by law (30- or 90-day notices).
- PHAs and owners failing to provide the required relocation advisory services. Specifically, some PHAs and owners simply provided a list of subsidized housing in the community, without meeting with residents individually to assess their needs and identify specific units and landlords who will accommodate the temporarily relocated tenants.
- PHAs and owners failing to create adequate written relocation plans, or failing to comply with their own written relocation plans.
- Owners failing to provide the same alternative housing options to similarly situated tenants, and situations where the temporary housing provided is uninhabitable or an inadequate size for the family, in violation of the Uniform Relocation Act and RAD requirements.

Additionally, we have seen PHAs and owners misjudge the need for temporary relocation, resulting in the loss of heating during extreme winter months, tenants living without windows, inoperable elevators, lack of plumbing, and significant construction dust and debris within tenants' units. Such occurrences



put the health and safety of the residents at risk and fail to ensure that tenants are living in decent, safe, and sanitary units. At the very least, HUD should collect relocation data about the property conditions and number of returning tenants for all RAD-converted properties nationwide so it can assess the impact of the RAD program on low-income tenants.

D. Tenant Organizing

Federal statutes and HUD guidance give RAD tenants the right to “establish and operate a tenant organization for the purpose of addressing issues related to their living environment, which includes the terms and conditions of their tenancy as well as activities related to housing and community development.” Federal regulations also provide that tenants and non-tenant tenant organizers have the right to engage in tenant organizing activities related to establishing or operating a tenant organization, such as distributing leaflets, contacting residents, and convening regularly scheduled resident organization meetings. While such rights already exist for tenants in PBRA properties, the RAD Notice explicitly extends these rights to RAD PBV tenants. Additionally, RAD tenants have the right to receive \$25 per occupied unit per year from the owner for tenant participation activities. At least \$15 per occupied unit per year must be provided to the “legitimate resident organization” at the property.

Owners of RAD properties frequently interfere with tenant organizing activities. We have heard of many instances where PHAs and owners have explicitly impeded or prohibited tenant organizing efforts, including:

- Interfering with the distribution of leaflets;
- Interfering with meetings and elections (including demanding that the property manager attend tenant organization meetings);
- Threatening to have non-tenant tenant organizers arrested for organizing tenants; and
- Failing to give tenant organizations the funds that should be made available to them.

RAD conversions create a critical need for tenant organizing so tenants can better understand the impact of the RAD conversion, hold the owner accountable to federal law and RAD requirements, and assist in planning for temporary tenant relocation and other important issues. HUD must take appropriate steps to prevent these egregious practices from continuing.

E. Tenant Re-Screening

When properties are converted through RAD, current households cannot be subject to re-screening, income eligibility determinations, or income targeting. Current households must be grandfathered in for conditions that occurred prior to conversion, but are subject to any ongoing eligibility requirements for actions that occur after conversion.

Despite these clear protections, RAD tenants are routinely re-screened at the time of conversion for income, criminal history, credit, and other requirements, especially in properties that will be utilizing low-income housing tax credits. For example, tenants have been expressly told that they are “over-income” for a RAD-converted building or that they will only be “grandfathered in” for a finite amount of time. This has resulted in evictions and monetary buy-out packages that force tenants to move from the property, despite their right to remain after conversion. Additionally, advocates have had to



challenge PHA proposals that seek to: rescreen temporarily relocated tenants for activity that occurred prior to conversion; terminate temporarily relocated tenants' leases for alleged lease violations that occur during temporary relocation but have no formal, official judicial determination; and rescreen all tenants who are moving back in after the property has been rebuilt or rehabilitated.

Without adequate HUD oversight or enforcement, the burden has fallen upon local tenants and their advocates to ensure that RAD tenants are not unlawfully denied access to, or evicted from, their housing. HUD should more proactively monitor RAD-converting properties nationwide and collect data about tenants' right to return and whether that right is being impeded by local RAD policies.

F. Long-Term Preservation

The preservation of affordable housing is the fundamental goal of the RAD program. The RAD Notice generally requires one-for-one unit replacement, but provides for exceptions that result in the loss of units during conversion, including: (1) if the unit has been vacant for more than 24 months at the time of RAD application, and (2) if reducing the total unit number will allow the PHA to more effectively or efficiently serve assisted households through either reconfiguring apartments (e.g., converting efficiency units to one-bedroom units) or facilitating social service delivery.

These exceptions are at odds with the goals of the RAD program. First, the reason a unit is vacant for more than two years is often because it is in need of rehabilitation. Permitting PHAs to eliminate these units allows PHAs to leave habitability issues unaddressed, while reducing the overall number of affordable housing units in local communities. Additionally, the second exception is vague and does not set any standards or factors that the PHA must meet when avoiding its one-for-one replacement obligation. HUD should eliminate these exceptions and provide more oversight of the unit replacement process to meet the RAD program's goals.

Additionally, HUD requires PHAs to maintain an interest in the RAD-converting property that will be owned by a for-profit entity and utilizes low-income housing tax credits. In the RAD Notice, HUD states that the PHA can maintain an interest in the property after the RAD conversion via the following methods:

- The PHA, or an affiliate under its sole control, is the general partner or managing member;
- The PHA retains fee ownership and leases the real estate to the tax credit entity pursuant to a long-term ground lease;
- The PHA retains control over the leasing of the Covered Project, such as exclusively maintaining and administering the waiting list for the Covered Project, including performing eligibility determinations complying with the PHA Plan;
- The PHA enters into a Control Agreement by which the PHA retains consent rights over certain acts of the Project Owner (including, for example, disposition of the Covered Project, leasing, selecting the management agent, setting the operating budget and making withdrawals from the reserves) and retains certain rights over the Covered Project, such as administering the waiting list; or
- Other means that HUD finds acceptable, in its sole discretion.

Only the first two methods will preserve the long-term affordability of the property. The other methods



fail to retain meaningful long-term oversight of for-profit owners. PHAs that maintain an interest using the other methods will lack sufficient oversight over the property, likely resulting in a departure from the accountability inherent to the public housing program.

The preservation of the quality of the housing stock is also a concern to tenants and housing advocates. In some RAD conversions, newly rehabilitated and rebuilt housing has significant safety and maintenance needs a short time after the RAD conversion. This is usually due to poor workmanship and mismanagement, as well as inadequate preliminary assessments of the scope of work needed for the property. This creates significant impacts on the health and safety of the residents. Accordingly, HUD must adopt procedures to prevent these issues.

G. Resident Leases and House Rules

Tenants in RAD-converted properties are bound by new leases and house rules, which are required to be effective as of the date of the HAP Contract. All RAD PBRA properties must use the required HUD PBRA Model Lease, and both RAD PBV and PBRA properties must include required language about lease termination notification and grievance procedures. A key protection that is required to be included in the lease and implemented in practice is that tenants cannot be evicted unless there is good cause to do so.

However, some owners have failed to adopt appropriate lease provisions, such as termination and grievance procedure language, require that tenants sign new leases that become effective as of the effective date of the HAP Contract, and provide copies of the new lease and house rules to tenants. Owners have also attempted to evict tenants without good cause and with notices that fail to give a sufficient reason for termination.

Despite the requirements in the RAD Notice, HUD has failed to collect house rules from owners during the conversion process. As a result, tenants and advocates report that owners and PHAs are adopting house rules that are unreasonable and infringe upon tenants' civil rights. HUD should collect and review house rules for all RAD-converting properties in order to properly oversee the RAD program and prevent illegal and unreasonable house rules from going into effect.

H. Resident Grievance Procedures

Pursuant to the RAD authorization statute, RAD tenants are entitled to the same rights that they possessed in the public housing program, including the right to a grievance procedure to dispute any action or inaction by the owner. As noted above, the RAD house rules also must contain specific language about tenants' grievance procedure rights.

Despite these important mandates, numerous tenants have been denied their right to a grievance procedure. Owners have routinely failed to include references to the grievance procedure in the house rules. As a result, owners have evicted, and attempted to evict, tenants without access to, or notice of, their right to, a grievance procedure. While our network has attempted to intervene in these cases, access to a legal services attorney is not always possible, given geographic and resource constraints. HUD must take the necessary steps to ensure that RAD tenants do not continue to be deprived of their legal right to basic due process.



I. Fair Housing and Civil Rights

As reiterated in HUD Notice 2016-17, RAD properties remain subject to fair housing and civil rights laws, including the Fair Housing Act, Section 504, the Americans with Disabilities Act (ADA), and the Violence Against Women Act (VAWA). Additionally, RAD properties must comply with the 1964 Civil Rights Act which provides that Limited English Proficient (LEP) persons be provided with translation services so they can have meaningful access to housing programs.

We have seen explicit violations of fair housing and civil rights laws in many different contexts. Such incidents include express familial status discrimination, failure to provide reasonable accommodations to tenants with disabilities, and failure to provide translation services to LEP individuals. Other examples include concentrating disability-accessible units in RAD properties and failing to adopt emergency transfer plans which allow survivors of domestic violence to move rapidly to escape life-threatening situations. HUD must take appropriate steps to educate owners of their civil rights obligations and enforce federal law.

J. Transfer of Assistance

RAD transfers of assistance allow subsidized housing assistance to be transferred to a property in a different location. Such transfers have enormous impacts on tenants' lives and raise significant fair housing and accessibility concerns. Despite the fact that HUD is required to complete a front-end civil rights review of RAD transfer of assistance conversions, we remain concerned about issues that are not captured by such a review. For example, HUD Notice 2016-17 states that if the transfer of assistance to a new site is a "significant distance" from the converting property, then tenants will have the right to an assisted unit within a reasonable distance of their former public housing residence. We have seen first-hand during RAD conversions how the vagueness of such a requirement negatively impacts tenants' ability to exercise their rights.

In transfers of assistance nationwide, tenants are being told they must move a significant distance away from the public housing property. Such transfers will have a devastating impact on tenants, since they will be moved far from their friends, families, workplaces, churches, schools, and medical providers. HUD should modify its policy on RAD transfers of assistance to better protect tenants, especially as PHAs and owners seek to move tenants away from developing areas of opportunity.

K. Choice Mobility

RAD tenants may exercise choice mobility rights and request tenant-based rental assistance 12 months (PBV) or 24 months (PBRA) after the RAD conversion. Choice mobility allows RAD-converted tenants to be placed at the top of the local PHA's waiting list for tenant-based rental assistance and move to any private market unit where a landlord will accept the assistance.

Unfortunately, we have encountered PHAs who are unfamiliar with choice mobility rights and have not adopted policies and procedures to allow RAD tenants to exercise their choice mobility rights. As a result, PHAs and owners fail to inform residents of these rights. Even when tenants are aware of the right to tenant-based assistance, PHAs and owners present significant barriers to obtaining it. HUD should publish guidance on choice mobility in the RAD program, so that PHAs and owners understand their obligations. In turn, tenants will have better access to choice and mobility post-RAD conversion.



L. Section 3 Enforcement

RAD properties are subject to Section 3 of the Housing and Urban Development Act, which requires that recipients of HUD financial assistance for housing and community development provide job training, employment, and contracting opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods. The Section 3 regulations set forth goals and priorities for hiring public housing tenants, homeless individuals, Youthbuild, and other very low-income residents and contracting goals for businesses owned by these individuals. The RAD Notice makes clear that Section 3 applies to all RAD work, including any new construction that is identified as part of the RAD conversion.

Yet, because HUD has consistently failed to enforce Section 3 requirements, the benefits of the Section 3 program have not been realized. RAD conversions present a unique opportunity to enforce Section 3 requirements and to provide job training, employment, and contracting opportunities for local residents and HUD must do more to ensure that PHAs and owners are fulfilling their Section 3 obligations.

M. RAD Component 2

RAD Component 2 tenants, who live in Section 8 Moderate Rehabilitation, Rent Supplement, or Rental Assistance Payment programs converting to project-based vouchers or project-based rental assistance, have very few tenant protections. Unlike Component 1 properties, there is no requirement that RAD Component 2 HAP Contracts be renewed at the end of each term, which puts the long-term preservation of the property at risk. In Component 2, there is no RAD Use Agreement that will be attached to the land title, ensuring long-term affordability of the property in perpetuity. The fair housing and relocation protections described in HUD Notice 2016-17, such as relocation plans, do not apply to Component 2 properties. Component 2 tenants also have no choice mobility rights if they are in RAD PBRA properties. Additionally, there are very few resident education requirements for tenants undergoing a RAD Component 2 conversion. HUD has determined that certain rights, guidance, and procedures were essential and necessary for the Component 1 program. Thus, HUD should do more to ensure similar procedures and rights for Component 2 tenants, where possible.

NHLP and our local partners have experienced many significant challenges related to the implementation and oversight of the RAD program. We strongly urge HUD to take a more proactive approach to ensure that tenants' rights are not violated during the RAD conversion process. Such action and evaluation is especially necessary prior to any further expansion of the RAD program. I can be reached at 415-432-5706 and SRoller@nhlp.org should you wish to talk further about our concerns.

Sincerely,

Shamus Roller, Executive Director, National Housing Law Project

CC: Thomas Davis, HUD, Office of Recapitalization
 Celia Carpentier, HUD, Office of Fair Housing and Equal Opportunity
 Danielle Garcia, HUD, Office of Fair Housing and Equal Opportunity
 William Rudy, HUD, Office of Community Planning and Development



Congressman Randy Hultgren (R-IL)
Questions for the Record
Financial Services Full Committee Hearing
“The Future of Housing in America: Oversight of the Department of Housing and Urban
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9:30am – Rayburn 2128

- In 2013, HUD promulgated a regulation entitled "Implementation of the Fair Housing Act's Discriminatory Effects Standard," which applies legal liability under the Fair Housing Act (FHA) when a housing practice is found to have a "disparate impact" on a protected class. HUD has taken the position that the pricing and underwriting of homeowners insurance is a housing practice within the scope of this regulation.

We all want to prevent discrimination, but of particular concern is how this regulation disrupts our state-based regulation of insurance in the U.S. There is bipartisan agreement that state-based regulation of insurance is working.

It's not clear if HUD sufficiently considered the McCarran-Ferguson Act, which calls for state-based insurance regulation, when implementing the rule. Report language in the FY 2018 appropriations bill states:

“The Committee is concerned that HUD continues to assert insurance regulatory authority that contradicts the McCarran-Ferguson statutory mandate and the limitations on disparate impact liability set forth by the U.S. Supreme Court in Texas Department of Housing and Community Affairs v. The Inclusive Communities Project, Inc.”

In June, more than 400 individuals and groups responded to HUD's Request for Comment - Reducing Regulatory Burden; Enforcing the Regulatory Reform Agenda Under Executive Order 13777 and many of the comments submitted call for the elimination of the regulation entitled "Implementation of the Fair Housing Act's Discriminatory Effects Standard" as outdated and ineffective, especially in light of the limitations on disparate impact set forth by the US Supreme Court in the Inclusive Communities case.

- Is HUD required to comply with the McCarran-Ferguson Act?

RESPONSE: The Fair Housing Act has long been interpreted to apply to a range of housing-related activities, including mortgage lending, appraising, brokering, and other services associated with housing. The McCarran-Ferguson Act restricts applications of Federal law that directly conflict with state insurance laws, frustrate a declared state policy, or interfere with a state's administrative regime. The Department has long recognized that the McCarran-Ferguson Act can be raised as a defense to a Fair Housing Act claim against an insurer on a case-by-case basis. This approach is in keeping with that taken by numerous courts. The Department is mindful of the particular concerns of the insurance industry and is presently in litigation with insurance industry trade

groups concerning applicability of the McCarran-Ferguson Act. Thus, it is not appropriate for the Department to comment further.

- Do you share the concern that this regulation disrupts our state-based regulatory system for insurance?

RESPONSE: The Department continues to recognize that insurers can raise McCarran-Ferguson as a defense on a case-by-case basis, a position that is entirely consistent with *Inclusive Communities*. As noted, due to ongoing litigation, it is inappropriate for the Department to comment further at this time.

- Do you have any plans to reevaluate this regulation given the volume of comments submitted calling for its elimination?

RESPONSE: HUD is reviewing all existing regulations to assess their compliance costs and reduce regulatory burden, consistent with Executive Orders 13771 and 13777. Again, due to litigation, it is inappropriate for the Department to comment further at this time.

- You referred in your testimony to Federal Housing Administration "fundamental housing mission."
 - How would you define the "mission" of FHA under current law?

RESPONSE: HUD supports broad access to affordable mortgage financing. FHA has a targeted and mission-focused role of helping first-time and low- and moderate-income homebuyers purchase homes they can afford, and that allow them to build equity, while balancing this role with its fiduciary responsibility to maintain the financial health of the MMIF.

- Do you favor a more precise statutory definition of FHA's mission?

RESPONSE: HUD is interested in working with Congress toward legislative reforms that can preserve a well-functioning housing finance system while reducing taxpayer risk. FHA should continue to serve a targeted and mission-focused role of helping first time and low- and moderate-income homebuyers purchase homes they can afford, and that allow them to build equity.

HUD would be pleased to work with members of Congress on refined statutory language, should Congress wish to make such changes as it considers housing finance reform.

- Do you have any recommendations for how the statute could be updated to describe FHA's mission?

RESPONSE: HUD looks forward to working with Congress on reforms that ensure a well-functioning housing finance system, with an appropriate role for FHA, while protecting taxpayers. The Department's senior staff would be pleased to meet with you and your staff to further discuss these ideas.

Congressman Brad Sherman (D-CA)
Questions for the Record
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- The prior administration was in the process of implementing a 25-basis point reduction of FHA's mortgage insurance premium. Are you moving toward, perhaps, reducing the insurance premium by 25 basis points?

RESPONSE: HUD conducted a thorough analysis of data concerning the financial health of its Mutual Mortgage Insurance Fund (MMIF). A detailed description of this data and analysis is available in the Federal Housing Administration's (FHA) *Annual Report to Congress Regarding the Financial Status of the FHA Mutual Mortgage Insurance Fund* (Annual Report) for fiscal year 2017, published on November 15, 2017.

As part of this analysis, HUD reviewed the specific impact that the planned MIP reduction would have had on the MMIF if the reduction was not suspended. HUD concluded that the Trump Administration's decision to suspend the reduction was both prudent and appropriate. As explained in Chapter II (page 57) of the Annual Report, had the premium reduction taken effect, in fiscal year 2017 the MMIF Capital Ratio would have fallen to 1.76 percent, below FHA's statutory minimum Capital Ratio of 2.00 percent, resulting in a reduction in cash flow net present value (NPV) of \$3.2 billion.

- Until 2013, FHA allowed borrowers to cancel their mortgage insurance once they had reached a loan-to-value ratio of 78 percent. Are you examining returning to this policy to allow homeowners that have 22 percent equity to no longer make mortgage insurance premium payments?

RESPONSE: Any decision on premiums must be weighed against FHA's fiduciary duty to maintain capital adequacy and will be made by the incoming FHA Commissioner. However, FHA must ensure that the MIP is charged and collected in accordance with existing statutory authority in Section 203(c)(2) of the National Housing Act.

- Section 4 of the 25th Amendment states that the Vice President and a majority of the Cabinet (or another body designated by Congress) may provide a written declaration to the President pro tempore of the Senate and the Speaker of the House of Representatives that the President is unable to discharge the powers and duties of the office. The next step in the process is that the Vice President immediately assumes the role of Acting President.

Do you take your responsibilities under this section seriously? Have you conferred with legal counsel to understand your responsibilities under the 25th Amendment? Since Section 4 of the 25th Amendment would require you to work in a collegial manner, have you met with the

other members of the Cabinet? Will you consult with legal counsel and other members of the Cabinet regarding the 25th Amendment?

RESPONSE: I take all my responsibilities under the Constitution seriously. I have spoken to counsel about my responsibilities. I meet with other members of the Cabinet regularly. At this time, I have no intention of convening any further consultations regarding the 25th Amendment.

Congressman Steve Stivers (R-OH)
Questions for the Record
Financial Services Full Committee Hearing
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- I'm very concerned about some of our nation's most vulnerable people without housing: children, youth, and families. That's why earlier this year, I introduced the bipartisan Homeless Children and Youth Act.

You won't see most of these children and youth on the streets. They bounce between couches and floors, motels, and if they're lucky, shelters. They move from place to place, wherever they can find a place stay. These are dangerous and unhealthy situations that put children and youth at risk of trafficking, abuse, and neglect. They harm health and well-being and put these kids on a path to homelessness as adults.

Other federal agencies, such as the Department of Education and the Department of Health and Human Services, recognize the severity of these situations, and acknowledge that these children and youth are homeless. Tragically, HUD does not. My legislation would align federal agencies' definitions of homelessness, so that if a child or youth is identified by schools or another federal program, that child would be eligible for HUD homeless assistance. It would allow communities to use federal funds to meet the needs of their most vulnerable children, removing barriers to existing programs. It also would improve coordination, referrals, and efficiencies among agencies.

- Do you believe that communities should be allowed to serve these vulnerable children and youth with HUD homeless assistance funds?

RESPONSE: HUD is strongly committed to ending homelessness for families, youth, and children. HUD's current definition of homelessness, which was expanded by the HEARTH Act through a carefully negotiated legislative process, includes many of the young people you mention in your question and in your legislation.

Since HUD began implementing the expanded definition, however, there has been confusion about who meets the criteria and who can be served with HUD funding. HUD has worked to dispel this misinformation with training and communications. To clarify, in addition to individuals and families living in places not meant for human habitation, emergency shelter, or safe havens, HUD's definition of homelessness also includes those households residing in transitional housing, hotels and motels paid for by charitable organizations or by a unit of government, living temporarily with friends or family but must leave within two weeks, and finally, those households fleeing or attempting to flee domestic violence. This definition also includes a category for families with

children and youth and unaccompanied youth that are considered homeless under other federal definitions; however, the statute limits the extent to which funds can be used to serve this population.

No youth or family should ever have to sleep in an unsheltered location or in a place where they are abused or trafficked or fearful of abuse. People facing these circumstances that have no other alternatives should be able to access, at a minimum, HUD's emergency shelter services, but may also be eligible for programs like transitional housing, rapid rehousing, and permanent supportive housing. Furthermore, HUD's Emergency Solutions Grants program allows communities to provide housing assistance and supportive services to any household defined as homeless under any federal statute.

HUD's Continuum of Care (CoC) program funds approximately 251,000 beds with related supportive services, not nearly enough to house the 553,742 people that were living on the street, in shelter or transitional housing on a given night in January 2017 or the other individuals and families that are currently eligible for these programs under the existing definition.

Congress has increased funding for HUD's Homeless Assistance Grants programs, but the need is great, and HUD and local communities have had to make difficult decisions about the use of limited resources. HUD provides incentives to communities to prioritize households with the highest levels of need, the longest periods of homelessness, and the highest barriers to housing, while also encouraging communities to leverage mainstream resources.

Many people face unstable housing situations, including overcrowding and doubling up and HUD agrees that there is an even greater number of low-income households in need of affordable housing. However, the root cause for this housing insecurity stems from broader market challenges that cannot be addressed through Homeless Assistance Grants alone. Improving access to mainstream housing and increasing the supply of affordable housing is needed to help them. Expanding the definition of homelessness for HUD's Homeless Assistance Grants will only make these critical services less available to people who need them most.

- Another key feature of my legislation is returning local control to communities, so that they can use federal funding to meet the needs that they identify. Unfortunately, this has not been the case over the past eight years. HUD has imposed priorities for certain populations, regardless of which populations are identified locally as having the greatest gaps in services. HUD also has imposed priorities for certain program models, regardless of the outcomes of these programs. The result of these top-down policies has been the loss of funding, attention, and services for families, children, and youth.

My legislation is important and necessary. However, there are steps that HUD could take administratively to advance local control and allow more flexibility. Would you be willing to work with me to take those steps, particularly in the next Notice of Funding Availability?

RESPONSE: HUD agrees it is important communities have flexibility with their CoC funds, so they can best meet local needs.

In the CoC Program Competition, HUD gives communities flexibility to determine how projects are prioritized for funding. The Department expects communities to prioritize their projects based on performance but allows communities to determine what their local rating criteria will be and how to apply it. Projects ranked highly by communities are funded by HUD, provided they meet basic eligibility and project quality requirements. In the Fiscal Year 2017 CoC Program Competition, HUD allowed communities to rank up to 94 percent of their funding in this high priority category. Projects that are ranked lower by communities compete based mostly on the overall performance of the community.

The Department's CoC Program Competition encourages evidence-based practices such as Housing First, Rapid Re-housing, or Permanent Supportive Housing. HUD bases a small part of a community's overall score on their adoption of these evidence-based practices to promote the most effective use of funds. However, the Competition is structured so that a community with an effective project could continue funding that project, regardless of whether it adopts these models.

With the CoC Program, HUD is committed to continuous improvement. As communities continue to innovate and study new approaches to homelessness, HUD will promote the projects and strategies that are most efficient and effective at ending homelessness. HUD welcomes your offer to work with your office to discuss strategies the Department can promote and adopt to most efficiently and effectively end homelessness.

RM Waters
Questions for the Record
Financial Services Full Committee Hearing
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9:30am – Rayburn 2128

The FY18 Budget Proposal

- The nation faces a rental housing affordability crisis, as rent levels climb and incomes stagnate. Over 25 percent of all renter households nationwide paid more than 50 percent of their incomes for housing. The lowest income Americans face the most serious housing challenges. There are only 35 affordable rentals for every 100 extremely low-income renters. Given this information, do you anticipate steep cuts to HUD’s rental assistance programs in the Fiscal Year 2019 (FY19) budget proposal similar to, or worse than, the FY18 budget proposal?

RESPONSE: The Department’s FY19 budget requests a modest increase in funding for rental assistance programs compared to the FY18 budget request. The requested funding level is sufficient to continue assistance to all currently assisted households.

- You often discuss the importance of public-private partnerships in addressing our country’s housing needs, when talking about the budget. However, your FY18 budget request targets programs that encourage those partnerships. Private housing organizations, developers, and service providers across the country have called on Congress to provide more funds to HUD programs, which they rely on to serve low income families.
 - How can the administration encourage public-private partnerships if it largely cuts out the government’s role from the relationship?

RESPONSE: Even with limited resources, the government can stimulate public-private partnerships without spending large amounts of taxpayer funds. For example, in various cities we are planning to deploy EnVision Centers, which are designed to be hubs for communities and private enterprises to directly address the educational and economic needs of families, while putting government in a supporting role, not a directing one. Another example is the Rental Assistance Demonstration (RAD), which has allowed PHAs and their partners to raise over \$5 billion toward the improvement and recapitalization of public housing properties.

- What are you doing to advocate within the administration for next year’s budget for HUD?

RESPONSE: The Department has requested funding that will allow it to serve the most vulnerable among us, including the elderly, the disabled, and the

homeless, while promoting economic opportunity and self-sufficiency, enhancing its rental assistance programs, providing access to affordable mortgage credit for first-time and low- and moderate-income homebuyers, and addressing lead-paint and other hazards in housing. The Department's FY19 budget request seeks an increase of funding compared to its request for FY18.

- Tenant-protection vouchers (TPVs) help families at risk of being displaced from assisted housing for various reasons, including the expiration of assistance or prepayment of a HUD mortgage. Without these protections, low-income residents could end up displaced from their housing and on the street. To address these serious risks, Congress has consistently allocated funding for TPVs. In the FY17 spending bill, Congress approved \$110 million for TPVs, including a set-aside of up to \$5 million for special vouchers to protect unassisted tenants and to preserve and improve affordable housing. Despite the bill's enactment in May 2017, HUD still has not published the necessary notice authorizing expenditure of these critical funds under the set-aside. Why hasn't HUD published this notice? When will this notice be published?

RESPONSE: HUD published the notice of funding availability for set-aside Tenant Protection Vouchers for Fiscal Year 2017 funding on February 8, 2018.

- The FY2018 HUD budget request did not include funding for several HUD grant programs, including the HOME Investment Partnerships Program. The budget justification stated that the budget "devolves affordable housing activities to State and local governments." What is the basis for your confidence that State and local governments have sufficient resources to fill the gap that elimination of this program would leave behind? If they are unable to step up, wouldn't that result in less affordable housing for lower income households?

RESPONSE: Although the HOME Program has made important contributions to state and local affordable housing initiatives over more than two decades, there are other ways that jurisdictions can incentivize production or increase affordability of housing. HUD encourages all jurisdictions to examine the effects of local policies such as zoning, permitting, and other regulations on increasing the cost of housing production and how the delays caused by many of these regulations create a disincentive for developers to build unsubsidized housing that is more affordable. Many jurisdictions have demonstrated their commitment to affordable housing production by establishing local housing trust funds with dedicated funding sources (such as assessments on real property transfers). There are alternatives to Federal HOME funding for communities that wish to prioritize affordable housing production.

- The Housing Trust Fund is the only program that is specifically focused on providing more affordable housing for extremely low-income households, for whom the private sector has historically been unable to provide affordable housing for without government subsidies. Unfortunately, your FY18 budget proposal would eliminate the Housing Trust Fund, and the assessments on Fannie Mae and Freddie Mac that fund the Housing Trust Fund. Given that it is difficult for the private market to produce housing that is affordable to extremely low-income households, how do you propose improving the supply of housing that is affordable

to this population without programs like the Housing Trust Fund to incentivize the private sector to participate?

RESPONSE: HUD agrees that developing affordable housing that can be accessed by extremely low-income families is very challenging. HUD believes that effectively addressing the housing needs of extremely low-income households requires a multi-prong effort that leverages the unique ability of state and local governments to engage local institutions and coordinate resources. This effort includes: reform of local policies such as zoning and permitting that lengthen development timelines and raise development or monthly project operating costs; greater commitment of state and local resources to meeting the needs of extremely low-income households, such as establishment of local housing trust funds, property tax exemptions, state-funded rental assistance programs, and state investor tax credits; careful targeting of existing federal resources such as Low-Income Housing Tax Credits or project-based vouchers; and increased coordination between state and local governments and the local business community (especially large institutional employers), philanthropic organizations, and nonprofit service providers.

- According to the Center on Budget and Policy Priorities, the Administration's proposed rent changes in its FY18 budget could raise rents on up to 4 million low-income households that receive federal rental assistance, with some of the largest increases falling on families and individuals that struggle the most to afford housing. Higher housing costs would force families to shift resources from other basic needs such as food, medicine, and clothing and leave workers less able to cover expenses such as transportation and child care. Some families would be unable to pay the higher costs and face the risk of eviction and even homelessness. Overall, 88 percent of the total rent increase would fall on workers, the elderly, and people with disabilities. According to HUD's budget justifications, these policy changes are intended, to reduce program costs and reduce administrative burdens.
 - Research by Sandra Newman C. Scott Holupka found a relationship between children's cognitive achievement and families' cost burdens, and that 30 percent was the optimal level. The authors speculate that spending on child enrichment may be the link, and that high cost burdens constrain families' spending on child enrichment. What concerns does HUD have about what may happen to low-income families, particularly the children in those families, if they are required to pay more for housing? [PDR]

RESPONSE: The Department is committed to facilitating positive outcomes for those it assists, particularly children. HUD will soon release a comprehensive rental reform proposal that will re-examine how the Department provides rental assistance and propose a way forward that is sustainable in the long term and provides a path for workable families to move toward self-sufficiency. This proposal will include a hardship exemption for families that are unable to pay their rents.

- The Committee considered the current rent structure in HUD programs as a part of its work on H.R. 3700 and came up with a bipartisan agreement designed to streamline and improve it. How does the Department justify proposing more changes to the rent structure in HUD programs before HUD has even implementing the reforms passed in H.R. 3700?

RESPONSE: In July of 2016, Congress enacted the Housing Opportunity Through Modernization Act (HOTMA). HUD has implemented significant portions of the Act that relate to assisted housing programs and is working to implement the remaining provisions, including the provisions related to income and rent. However, HUD believes a more comprehensive approach to reform is necessary in order to streamline the complicated system of rent and income determinations. HUD's proposed rent reforms also provide a path for workable families to move toward self-sufficiency and emphasize decision-making at the local level. The Department looks forward to working with its stakeholders and Congress to find ways to continue to make reforms in this area.

- HUD is currently funding a rent reform demonstration to test the effects of various rent policies. How does the Department justify proposing more changes to the rent structure in HUD programs before HUD has the results of the rent reform demonstration? [PDR]

RESPONSE: As noted above, HUD believes a more comprehensive approach to reform is necessary for long-term affordable rental housing sustainability and to streamline the complicated system of rent and income determinations.

- Given the Department's recent determination that there are more than 8.3 million households with "worst case housing needs," in proposing cost-cutting measures, is it your goal to serve more families over time or merely to reduce HUD's costs in serving a declining number of households over time?

RESPONSE: Many families across the country face critical housing needs. Consistent with the 2019 Budget's commitment to fiscal constraint, HUD's request seeks to place its rental assistance programs on a fiscally sustainable path. HUD's objective is to reduce costs while continuing to assist current residents. HUD believes the Budget provides the necessary cost savings, offset authority, allowable rent levels, payment standards, reporting requirements, and administrative flexibilities for public housing agencies (PHAs) to remain within proposed funding levels without having to terminate assistance to existing families. This approach is designed to empower PHAs by giving them the flexibility to employ those measures that make the most sense in relation to their local needs and priorities. HUD is also proposing changes to ensure that participating families are modestly increasing their contributions toward their share of the rent while reducing the cost of the program to the Federal government.

HUD will propose rent reform legislation that is sensitive to this complexity and which aims to structure the rent calculation both to serve as an incentive to work and to encourage more workers per household. HUD developed this comprehensive reform proposal by compiling lessons learned from the experiences of Moving To Work agencies, HUD's current Rent Reform demonstration, the Family Self-Sufficiency program, and Jobs Plus research, among other sources. By encouraging more work and self-sufficiency, HUD will help current residents leave public assistance so new families facing critical housing needs may be assisted.

- The Department has proposed an unlimited expansion of the Rental Assistance Demonstration (RAD), a program that allows housing authorities to remove the federal Declaration of Trust on public housing in order to raise private capital and transfer the units to Section 8 contracts. Much to my great concern, Congress has expanded this demonstration program twice before the program has even demonstrated that it works for the residents it's intended to serve. Resident leaders and legal service advocates across the nation have warned HUD and Congress from the earliest days of the demonstration of several incidences of a lack of genuine resident involvement as well as egregious fair housing violations. I have heard about residents being denied their right to return, being evicted without due process, denied wheelchair accessible units, denied statutory grievance procedures, pressured to leave their developments, suffered bizarre restrictions from new private owners such as not allowing children to take out the trash, among other abuses.
 - How do you justify an unfettered expansion of a program that clearly has many serious issues still yet to be addressed?

RESPONSE: RAD is one of HUD's most effective tools for addressing a \$26.2 billion backlog of critical public housing improvements. Through RAD conversions, over \$5.4 billion has been invested in construction activities to stabilize, improve, or completely redevelop HUD's public housing stock. This has improved living conditions for more than 91,000 low-income families. Importantly, RAD has adopted the most robust set of resident rights and protections of any HUD program.

The FY 2018 Omnibus raised the RAD cap to 455,000 public housing units. Relative to the previous cap of 225,000 units for public housing conversions, HUD has over 91,000 units on the wait list. This brings the number of units PHAs are proposing to convert to 316,000. Eliminating the cap on participation will allow for further improvements to HUD's undercapitalized public housing stock, which will improve living conditions for more low-income families.

- How exactly do you intend to improve compliance with the statutory and regulatory provisions meant to protect residents from the abuses residents experienced with the HOPE VI program?

RESPONSE: In administering the RAD program, HUD has established a robust set of resident rights, and is committed to ensuring compliance with statutory and regulatory requirements. Resident rights include the following:

- Required resident notices prior to conversion;
- Required resident consultation and meetings prior to conversion;
- The RAD conversion must be described in the Public Housing Agency (PHA) plan;
- A right to return to the property following any temporary relocation;
- Relocation protections in accordance with the Uniform Relocation Act (URA) and, in some cases, in excess of the URA requirements;
- Prohibition on re-screening residents upon “move-in” to the Section 8 property;
- Section 3 low-income hiring requirements apply, even when not legally required;
- Grievance and termination procedures;
- Resident organizing rights;
- Resident organizing funding; and
- A right to request a tenant-based voucher after a period of residency at the converted property (choice-mobility).

Two particularly problematic conversions that occurred in 2014 (out of a total of 772 to date) have attracted attention for violations of residents' rights, including the abuses described in the question. Both transactions are the subject of continuing compliance work by HUD, in accordance with the above list of resident rights.

Through administration of the RAD program, HUD has continued to identify ways to improve civil rights compliance and to reduce risks for individual residents. HUD published an initial Relocation Notice in 2014, which was updated and significantly improved in late 2016. Since then, HUD has found that PHAs and their partners have a clearer understanding of the applicable relocation and civil rights requirements. HUD takes seriously its responsibility to ensure the tenant protections described above and also works to educate residents and local organizations, so they understand their rights and can quickly alert HUD if their rights are being violated.

Preservation

- Rehabilitating or preserving assisted housing is significantly less expensive than building new affordable housing. According to numerous studies, rehabilitating an existing apartment costs one-third less than building a new apartment. In more expensive communities with high land costs, the cost of building new affordable housing could be as much as double the cost of preserving existing housing. Rehabilitation also creates jobs and stimulates private investment and economic growth. According to HUD's own statistics, privately owned properties with project-based Section 8 assistance generate \$460 million in property taxes for local municipalities annually, directly support 55,000 jobs, and leverage over \$17 billion in

private financing and equity. In the context of rising development costs and private market rents, preserving affordable housing has become more urgent than ever. Given the benefits and cost-effectiveness of preservation, how will you commit to making the preservation of assisted properties a top priority under your leadership, and how will you achieve this?

RESPONSE: HUD is committed to cost-effective preservation initiatives to ensure its existing affordable portfolios can remain affordable to low-income households. RAD is an important strategy for achieving this objective (others include project-basing of tenant protection vouchers, and contractual commitments to preservation in exchange for discretionary HUD approvals). RAD's recent accomplishments include:

- Stabilizing, improving, or redeveloping over 91,000 public housing units through RAD. The FY 2018 Omnibus raised the RAD cap to 455,000 public housing units. Relative to the previous cap of 225,000 units for public housing conversions, HUD has over 91,000 units on the wait list. This brings the number of units PHAs are proposing to convert to 316,000. HUD has requested in the fiscal year 2018 and 2019 Budgets to eliminate the cap so that any public housing property can be preserved at cost-effective subsidy levels.
- RAD is the primary way Rent Supplement and Rental Assistance Payment (RAP) properties are preserved. To date, over 25,000 of these Rent Supplement and RAP units have been converted under RAD and preserved for the long-term. Only 24 properties remain, and HUD hopes to preserve all remaining properties by the end of FY 2019.
- Over 2,000 units in properties assisted through the Moderate Rehabilitation and McKinney Vento Single Room Occupancy programs have been preserved, with a healthy pipeline forming for future conversions.

HUD is also now working to implement the new RAD preservation options for the Section 202 Project Rental Assistance Contract (PRAC) properties, which were included in the FY 2018 Omnibus. Finally, the FY 2018 Omnibus extended for the Mark-to-Market program, which enables the restructuring and preservation of FHA-insured properties with above market rents and maintain HUD's ability to facilitate preservation-motivated purchases of properties that have been previously restructured through Mark-to-Market.

Homelessness

- Do you support efforts to coordinate the federal response to end homelessness in this country?

RESPONSE: Coordinating the federal response to ending homelessness helps communities and their leaders more effectively and efficiently work to end homelessness by breaking down silos and supporting the integrated use of funding so that resources are not duplicated and administrative burden is reduced. For this reason, HUD regularly coordinates with other federal agencies such as the Departments of Veterans Affairs (VA), Health and Human Services (HHS), Labor (DOL), Justice (DOJ), and the United States Interagency Council on Homelessness (USICH). This

regular coordination has helped communities better understand the experience of homelessness amongst, and better serve, the following populations of people experiencing homelessness:

- Veterans. Coordination between HUD, USICH, DOL, and the VA, coupled with strong leadership at the local level, has resulted in a 46 percent decrease in veterans' homelessness since 2010 as well as being able to end veterans' homelessness in over 62 communities, including 3 entire states. This was possible because of close coordination on data collection and implementation of HUD-VASH, SSVF, the Homeless Veterans' Reintegration Program, and other homelessness programs.
- Survivors of Domestic Violence. HUD's homeless assistance programs serve many people who have experienced domestic violence, but the entities that receive HUD's homeless assistance grants often aren't the organizations best equipped to meet the unique safety needs of individuals and families fleeing or attempting to flee domestic violence. Coordinating with DOJ and HHS has helped ensure that communities and HUD-funded entities are adopting best practices for serving this population through our annual Continuum of Care (CoC) Program Competition Notice of Funding. HUD's collaboration with other agencies has helped us promote the most up to date evidence-based practices and allowing survivors of domestic violence easier access to our programs where appropriate.
- Families with Children. The 2017 Point-in-Time Count demonstrated that we have reduced family homelessness by 27% since 2010. Part of this decrease was made possible because of the interagency coordination between HUD, USICH, HHS, DOL, and ED. In particular, these agencies have helped HUD ensure that communities and HUD-funded entities are adopting best practices for serving families. HUD-supported providers are more aware of the benefits and programs provided by these agencies and other public and private organizations that can help support families. As a result, families have more access to health care, education, and employment resources, and children are better able to access early childhood education programs.
- Youth. HUD now has better data on the number of youth experiencing homelessness and this has been made possible through substantial interagency coordination between HUD, USICH, HHS, and ED. Runaway and Homeless Youth program data is integrated with HUD's HMIS and communities undertook a massive effort to better count youth experiencing homelessness during the 2017 PIT Count. Though other data provides important context, all federal partners have agreed to use this PIT Count to assess progress toward metrics and goals to end youth homelessness. HUD coordinated with these partners to develop the Youth Homelessness Demonstration Program to ensure the strategies HUD was promoting were effective at ending youth homelessness and also possible to implement at the local level and to help ensure local partners would be motivated to participate in the initiative.

• In the HUD homeless programs, there are several proposed rules that have never been finalized. HUD published an interim rule for the Continuum of Care (CoC) program in 2012

and has said several times that the comment period will be reopened before a final rule is released. When H.R. 3700 was enacted in July 2016, it directed HUD to “re-open the period for public comment regarding the Secretary’s interim rule” for the CoC program within 30 days. But this has not happened. In addition, HUD published a proposed rule for the Rural Housing Stability (RHS) grant in 2013 which has never been finalized. And in July 2016, HUD sought additional comment on the CoC program formula published in the interim rule but has not published comments or a final rule.

- When will HUD re-open the comment period for the CoC rule? When can we expect HUD to publish final rules for the RHS grant program and the CoC formula?

RESPONSE: The process to implement final rules is lengthy and involves substantial public comment period and review within HUD and by other federal agencies. This is necessary to ensure that HUD is implementing its Homeless Assistance Programs in a manner that most efficiently and effectively helps communities end homelessness. It is also why HUD re-opened the Emergency Solutions Grants Program interim rule for an extra comment period even though we were not required to and why we will be doing the same for the CoC Program interim rule.

HUD anticipates that the Notice re-opening the comment period for the CoC Program interim rule will be published in the second half of 2018. After this comment period, HUD will put together a final CoC Program rule which will incorporate all necessary changes from the first public comment period, the comments received on the formula during that comment period, and from the comments submitted during this final comment period.

HUD is finalizing review of all comments and drafting the final ESG rule and anticipates publication near the end of FY2019.

For the RHS rule – HUD continues to evaluate and resolve the public comments prior to sending a final rule forward for interagency review. HUD does not have an estimated timeline for this process.

LGBTQ Commitment (Homelessness; Fair Housing)

- One of my colleagues on the Appropriations Committee, Mr. Quigley of Illinois, asked you during your recent testimony before his Committee about HUD’s recent action to rescind a set of resources that were designed to help housing providers comply with HUD nondiscrimination rules that protect LGBTQ people. These resources were developed alongside homeless service providers and subject matter experts to assist HUD’s community partners in protecting LGBTQ individuals in homeless shelters. After your testimony 29 Senators also sent you a letter urging you to review these actions and to “describe what evidence and facts justify these actions, and act promptly to restore resources to HUD’s website guiding providers on how to fulfill their nondiscrimination requirements under law.”

To date you have not responded. Why hasn't HUD responded to these concerns? When do you expect a response?

RESPONSE: HUD is committed to ensuring that every person participating in the Department's programs can access them without being arbitrarily excluded and can feel safe during their time in the program. This includes ensuring our emergency shelters and housing programs provide equal, non-discriminatory access to all individuals experiencing homelessness, including those who identify as LGBTQ, while being cognizant of safety and operational considerations for all. To be clear, HUD is not concerned that LGBTQ individuals pose a threat to other individuals experiencing homelessness solely because of their LGBTQ status, but instead does not want providers to be unduly constrained in addressing actual safety concerns. HUD expects to post training materials in the near future.

Some of the specific work that the Department has already carried out to meet this responsibility includes:

- Hosting five trainings for recipients on the CPD Equal Access rule to help them understand the requirements and be compliant;
- Initiating an LGBTQ Youth Homelessness Prevention Initiative with two communities to prevent homelessness among this population and to intervene early when homelessness occurs;
- Providing points in the annual CoC Program Competition to CoCs that can demonstrate that LGBTQ serving organizations or advocacy groups are included in the CoC members, that conduct regular trainings for their providers on how to implement the CPD Equal Access Rule, and that have implemented a CoC-wide anti-discrimination policy; and
- Soliciting public comments on the LGBTQ Youth Homelessness Prevention Initiative survey (the Paperwork Reduction Act Notice for this survey was published last November).

Disaster Housing Recovery

- Some of the largest HUD fair housing settlements have come after major disasters, as states receiving HUD disaster recovery grants failed to use the funds to serve affected families equally. In 2005, after Hurricanes Katrina, Rita, and Wilma, instead of giving homeowners the cost to repair their homes, the State of Louisiana gave them compensation for economic loss – the difference between their property value before and after the storm, which meant owners of properties in white neighborhoods received more assistance than in black neighborhoods, even when the actual cost to repair was the same. After Hurricane Sandy in 2012, New Jersey's initial housing recovery programs didn't include renters and residents of mobile homes, and application materials weren't made available to all affected residents with limited English proficiency, which resulted in a \$240 million settlement, which is one of the largest in HUD's history.

- Now that Congress has appropriated an initial amount of \$7.4 billion in CDBG-DR funds, how will you ensure that grantees don't repeat the mistakes that led to these civil rights disasters?

RESPONSE: The Department has adopted a range of policies and practices in response to issues arising from the fair housing settlements noted above. For example, beginning with Hurricane Sandy and continuing through the 2017 \$7.4 billion and 2018 \$28 billion CDBG-DR supplemental appropriations, the Department has prohibited grantees from using CDBG-DR funds for compensation programs. The recent Federal Register Notice to implement the \$7.4 billion CDBG-DR appropriation also requires grantees to consult with nonprofit stakeholders in the preparation of the action plan and to identify funding to address the affordable rental housing needs arising from the disaster for low- and moderate-income residents. HUD is also looking more closely at the capacity of grantees to comply with CDBG-DR requirements, prior to making funds available. Further, HUD has introduced considerations of grantee capacity as they relate specifically to compliance with Section 3 and fair housing requirements.

- Harvey, Irma, and Maria have devastated families and communities throughout Florida, Texas, Puerto Rico, and the U.S. Virgin Islands.
 - What conversations have occurred to date between FEMA and HUD pertaining to standing up a disaster voucher program? Do you see a need for a disaster voucher program for the impacted areas?

RESPONSE: HUD agrees that close and effective collaboration with FEMA, as well as other federal and state partners, is critical to ensure a successful response to a disaster and assist those families in greatest need. HUD continues to coordinate and provide staff to Disaster Recovery Centers and other interim response duties to assist both HUD- and non-HUD-assisted disaster survivors through mission assignments with FEMA.

HUD is also the Housing Recovery Support Function (RSF) lead and provides subject matter experts to FEMA's Joint Field Office. Through HUD's Housing RSF role, the Department coordinates with federal partners, including FEMA, to identify issues and concerns and develop recovery strategies that identify resources to quickly and properly house displaced residents and expedite overall recovery efforts. FEMA has the statutory authority to establish a Disaster Housing Assistance Program (DHAP) to provide rental assistance to disaster survivors; if established, HUD can administer DHAP on behalf of FEMA.

- What waivers are you considering for federal recovery dollars?

RESPONSE: Through the statutory authority provided with each CDBG-DR appropriation, the Department has established standard waivers and alternative

requirements that it has found to be important to expedited and effective disaster recovery.

A significant number of the waivers and alternative requirements established by the Department are focused on tailoring the requirements of the main CDBG program to support program implementation, such as allowing states and territories, as CDBG-DR grantees, to carry out disaster recovery activities directly rather than solely through local governments. Other notable CDBG-DR waivers provide increased flexibility for providing homeownership and interim mortgage assistance, allowing grantees to offer housing incentives to encourage residents to relocate from areas prone to flooding, and authorizing grantees to use the environmental review of other federal agencies to meet HUD environmental requirements. Like prior CDBG-DR appropriations, the most recent appropriation prohibits the waiving of environmental, civil rights, fair housing and labor standard requirements.

- Will HUD's budget request in the next few years reflect the need for increased resources to address the housing and community development needs of impacted areas?

RESPONSE: HUD cannot address future budgets to be proposed by the Administration but remains committed to ensuring a continued role in supporting the housing and community development needs of disaster-impacted communities. It should be noted that CDBG-DR funding is not, and historically has not been, included in the Department's annual budget appropriation but is instead made available only when Congress enacts supplemental funding to the Department for disaster recovery efforts.

Further, HUD expects grantees to financially contribute to their recovery through the use of reserve or "rainy day" funding, borrowing authority or retargeting of existing financial resources. The Administration aims to rebalance Federal, state and local government roles and responsibilities not only for long-term recovery but across the broader landscape of Federal programs that provide financial assistance to state and local governments.

- How will HUD ensure that the homeless and unstably housed individuals and households are appropriately addressed in the disaster recovery efforts post-Harvey, Irma, and Maria?

RESPONSE: HUD is requiring CDBG-DR grantees to evaluate all aspects of housing need, including housing to meet the needs of persons who were homeless pre-disaster. The grantee must also describe how it will address the transitional housing, permanent supportive housing, and permanent housing needs of individuals and families that are homeless and at-risk of homelessness; the prevention of low-income individuals and families with children from becoming homeless; and the special needs of persons who are not homeless but require supportive housing. HUD will evaluate this aspect of each grantee's action plan for disaster recovery and will monitor grantees to ensure that the

unmet needs and associated recovery programs identified in each action plan are implemented in accordance with the plan as approved by HUD.

- In the aftermath of Katrina, we saw a substantial decrease in the public housing stock affected by the storm because the units were not replaced on a one-for-one basis. Do you agree that any public housing destroyed by natural disasters should be replaced on a one-for-one basis?

RESPONSE: The Department is committed to ensuring the recovery and housing of public housing residents following a disaster. The Department is requiring grantees to identify how they will address the rehabilitation, mitigation, and new construction needs of each disaster-impacted public housing authority (PHA) in their jurisdictions. Grantees are directed to work with PHAs to “ensure that adequate funding from all available sources, including CDBG-DR grant funds, is dedicated to address the unmet needs of damaged public housing.” In some communities, one-to-one replacement may not be the most effective means of addressing the unmet needs of public housing residents. Tenant-based rental assistance project-based vouchers, and other housing strategies have also been employed to address the housing needs of PHA residents following a disaster.

Moving to Work

- Congress approved an expansion of the Moving to Work Demonstration (MTW) demonstration program to 100 additional housing authorities. This demonstration has never been subject to a meaningful evaluation to determine whether it is achieving its stated objective, or to discern positive or negative impacts on residents. However, as part of the expansion, Congress required cohorts of the new MTW housing authorities to be subject to rigorous evaluation. HUD staff have proposed a three-tiered waiver approach to regulatory flexibility for the new MTW housing authorities. The second tier (“Conditional Waivers”) would allow a new MTW agency to seek waivers enabling them to establish time limits, work requirements, or rent policies that would cause residents to be cost-burdened – all without the rigorous evaluation required by the statute. Time limits, work requirements, and cost-burden rents could cause the most potential harm to residents. What will you do to ensure compliance with the statute governing the expansion and only allow time limits, work requirements, and cost-burden rents to be tested in this demonstration project through the most rigorous evaluation techniques, as HUD would include only in the third tier (“Cohort Specific Waivers”)?

RESPONSE: The 2016 Appropriations Act does not specify which policy changes will be evaluated in each cohort; rather, it requires the Secretary to establish a research advisory committee to advise the Secretary with respect to specific policy proposals and methods of research and evaluation for the demonstration. In 2016, HUD convened the MTW research advisory committee, which provided the following recommendations for four cohorts of study:

- *Overall Impact of MTW Flexibility:* In this first cohort, the overall effects of MTW flexibility on a PHA and the residents it serves will be evaluated;

- *Rent Reform:* In this cohort, different rent reform models that may or may not be income based, to include flat rents, tiered rents, and/or stepped-up rents, will be evaluated;
- *Work Requirements:* In this cohort, work requirements for work-able households will be evaluated; and
- *Landlord Incentives:* This cohort will evaluate how to improve landlord participation in the HCV program through incentives such as participation payments, vacancy payments, alternate inspection schedules and other methods.

As directed in the 2016 Appropriations Act, the Secretary shall direct one specific policy change to be implemented by each cohort of new MTW agencies, and the policy change will be evaluated by HUD. Per the 2016 Appropriations Act, the MTW agencies designated through the MTW expansion may also implement additional policy changes.

In January 2017, HUD published in the Federal Register for public comment the draft MTW Operations Notice, which establishes requirements for the implementation and continued operation of the expansion of the MTW demonstration program. HUD received 800 comments which have been taken into consideration. The Notice has been updated with policy decisions and is currently finishing the internal clearance and will be published for an additional 30-day public comment period in the next few weeks. After those comments have been reviewed and appropriate changes have been made, HUD will issue the final MTW Operations Notice. HUD anticipates publishing the Selection Notice inviting the initial cohort of MTW agencies to apply in Spring 2018.

Lead Hazards

- Under the prior Administration, HUD adopted policy changes to align its blood level standards with those recommended by the CDC. However, concerns remain about whether HUD's inspections processes go far enough to ensure lead-free housing for families.
- HUD has been engaged for a number of years in updating the physical inspection process for HUD-assisted rental housing. A number of stakeholders have advocated HUD take a more proactive approach to lead testing. Where does HUD stand on its update of the inspection process? Have any of the concerns about lead testing been addressed as part of this process?

RESPONSE: HUD has worked internally to improve oversight of inspection results for all HUD-assisted properties, with a particular focus on oversight of existing lead-based paint regulations. All HUD-assisted units receive housing inspections and must meet applicable standards prior to occupancy. The requirements for the level of lead-based paint evaluation depend on the type of HUD assistance, and are aligned to the Residential Lead-Based Paint Hazard Reduction Act of 1992 (Title X of the Housing and Community Development Act of 1992) (P.L. 102-550).

Some advocates have expressed concern about the level of assessment required in the Housing Choice Voucher (HCV) program. Based on Congressional directive,

described below, for the HCV program, if a family with a child under age six selects a rental unit built before 1978, the home must pass an enhanced visual inspection for deteriorated paint. Any identified deteriorated paint must be controlled by the landlord using lead-safe work practices and clearance of the work prior to occupancy. Once occupancy has begun, ongoing lead-based paint maintenance activities are required.

The Department is not currently authorized by law to require a risk assessment before occupancy for the HCV program. When considering the level of testing required for this program under Title X, Congress was concerned that, due to the tendency of residential properties to pass in and out of tenant-based federal assistance programs, it would be unworkable and inequitable to impose greater burdens on owners of such properties than on other private landlords.¹

HUD's Offices of Lead Hazard Control and Public and Indian Housing have worked to encourage more collaboration between HUD-funded state and local Lead Hazard Control grantees and the Public Housing Authorities that serve their jurisdictions. Collaboration includes increased emphasis on local partnerships in annual Lead Hazard Control grant program Notices of Funding Availability, and promotion of the awarded grantees in communications to public housing authorities.

- Last year's appropriations act and related committee reports included a number of directives to the Department on reducing lead hazards. What progress has HUD made on these directives?

RESPONSE: The requested report to Congress, "HUD Oversight of the Lead Safe Housing Rule for the Public Housing and Housing Choice Voucher Programs," was sent to the House and Senate Appropriation Committees' chairs and ranking members on March 13, 2018.

The Senate Appropriations Committee of the 114th Congress "commend[ed] HUD for emphasizing the need to address lead-based paint hazards in Section 8 voucher units when awarding (lead hazard control) grants and urge[d] HUD to continue to address these needs in HUD-assisted housing stock in the private market."² HUD is developing its FY 2018 lead hazard control notices of funding availability, and will continue to include this emphasis on Section 8 voucher units.

For 16 years, HUD has included an element for rating its lead hazard control grant applications regarding Section 8 voucher units. For example, in FY 2017, the

¹ Senate Committee on Banking, Housing, and Urban Affairs. National Affordable Housing Act Amendments of 1992: report of the Committee on Banking, Housing, and Urban Affairs, United States Senate, to accompany S. 3031, together with additional views. S. Rpt. 102-332, July 23, 1992, at 117.

² *Ibid.* Title II, Department of Housing and Urban Development. Office of Lead Hazard Control and Healthy Homes. Committee Recommendation.

Department's notices of funds availability (NOFA) for its Lead-Based Paint Hazard Control Grant Program and its Lead Hazard Reduction Demonstration Grant Program evaluated applicants' response to being asked to "Describe how your program will coordinate with State and/or local housing agencies to encourage, receive and process referrals from tenant-based voucher programs (such as Section 8 Housing Choice Vouchers) for enrollment in this grant program." Since FY 2002, the two grant programs' NOFAs have rated applicants on how well referrals from the Section 8 Housing Choice Voucher program were received and processed, thereby encouraging applicants to reach out to their local public housing agencies, which administer this voucher program locally, to provide referrals of voucher housing built before 1978 (housing that may have lead-based paint) for their grant program.

Additionally, the Consolidated Appropriations Act, 2017 allocated \$25 million in the Public Housing Capital Fund for competitive grants to Public Housing Agencies address lead-based paint hazard control needs in public housing.³ The NOFA for the Lead-based Capital Funds Grant Program was published on January 16, 2018 and closed on March 20, 2018. HUD received 87 applications and anticipates announcing awards by June 15, 2018.

- HUD's policy focus has historically been lead-based paint remediation, but the issue of lead-contaminated drinking water has risen in prominence following the problems in Flint, Michigan. Recently, HUD's Inspector General raised concerns that the FHA is not doing enough to ensure that properties with FHA-insured mortgages have access to safe, lead-free drinking water. What does HUD believe its role to be in ensuring that all HUD-assisted properties have safe water?

RESPONSE: As noted, HUD's policy focus regarding lead safety has historically been lead-based paint remediation; this is based on the scope of Title X, which does not mention or otherwise address lead in water.

HUD has been using authorities it has to contribute to the interagency effort to address the lead in water problems in Flint, and to assess its efforts to ensure that all HUD-assisted properties have safe water.

The Department requires that all FHA-insured and/or assisted multifamily housing be decent, safe, sanitary and in good repair. HUD uses the Uniform Physical Condition Standards (UPCS) described by 24 CFR Part 5, Subpart G, as cited by 24 CFR Part 200, Subpart P, Physical Condition of Multifamily Properties, to determine if a multifamily project meets these criteria. The UPCS includes a provision which requires individual units to have a source of hot and cold potable water. The local public water authority is responsible for ensuring that water meets

³ Senate Appropriations Committee. Senate Report 114-243 - Transportation and Housing and Urban Development, and Related Agencies Appropriations Bill, 2017, 114th Congress (2015-2016). Title II. Department of Housing and Urban Development. Public Housing Capital Fund. Committee Recommendation.

the guidelines of the Safe Drinking Water Act of 2013. Potential health threats must be disclosed to either the Environmental Protection Agency or appropriate state agency, and public notification is required in some circumstances. Where HUD is made aware of unsafe drinking water, the Department will work with owners of multifamily projects to ensure that they cooperate with local, state, and federal agencies to take corrective actions to remediate the contamination and provide potable water during remediation and communicate with tenants regarding the property water supply.

For its public housing program, HUD also uses the UPCS, described above, as cited by 24 CFR Part 965, Subpart F, Physical Condition Standards and Physical Inspection Requirements. HUD uses the standards described by 24 CFR Part 982, Subpart I, Section 982.401, Housing Quality Standards, for its Housing Choice Voucher and project-based voucher programs. The Housing Quality Standards require that the dwelling unit is served by a water supply that is sanitary and free from contamination.

For Flint, HUD issued guidance to affected HUD-assisted housing providers and public housing authorities on applicable regulations regarding drinking water and reminded them of their flexibilities to fund work needed.

FHA

- In January, on the day of President Trump's inauguration, HUD suspended a planned decrease in FHA mortgage insurance premiums, stating that "more analysis and research are deemed necessary to assess future adjustments" to the premiums.
 - What kind of analysis and research has HUD conducted since January on the appropriate level of mortgage insurance premiums in the FHA program? What conclusions have you drawn from that research?

RESPONSE: HUD conducted a thorough analysis of data concerning the financial health of its Mutual Mortgage Insurance Fund (MMIF). A detailed description of this data and analysis is available in the Federal Housing Administration's (FHA) *Annual Report to Congress Regarding the Financial Status of the FHA Mutual Mortgage Insurance Fund* (Annual Report) for fiscal year 2017, published on November 15, 2017.

As part of this analysis, HUD reviewed the specific impact that the planned MIP reduction would have had on the MMIF if the reduction had not been suspended. HUD concluded that the Trump Administration's decision to suspend the reduction was both prudent and appropriate. As explained in Chapter II (page 57) of the Annual Report, had the premium reduction taken effect, in fiscal year 2017 the MMIF Capital Ratio would have fallen to 1.76 percent, below FHA's statutory minimum Capital Ratio of 2.00 percent, resulting in a reduction in cash flow net present value (NPV) of \$3.2 billion.

- When do you plan to make a decision about whether or not to reinstate the suspended premium reductions?

RESPONSE: As noted in the Annual Report, as of September 30, 2017, the MMIF Capital Ratio was 2.09 percent, a decline from the previous fiscal year's Capital Ratio of 2.35 percent. Given this, as well as the impact analysis of what the ratio would be had the reductions moved forward for fiscal year 2017, HUD does not have immediate plans to reduce premiums.

- To what extent is your analysis taking into consideration concerns that premiums that are set at too high of a level could negatively impact the availability or affordability of homeownership for low- and moderate-income households and first-time homebuyers?

RESPONSE: HUD believes in the importance of supporting first-time and low-to-moderate income borrowers through the provision of FHA insurance. This must be balanced with the statutory duty to maintain capital sufficiency to protect taxpayers from undue losses.

- To what extent is your analysis taking into consideration concerns that mortgage insurance premiums that are set at too high of a level could lead many households with stronger credit profiles to seek other types of mortgages, possibly leaving FHA with a riskier pool of borrowers?

RESPONSE: The analysis began with FHA's underwriting standards, which direct FHA's Single Family mortgage insurance programs toward creditworthy borrowers – those with a reasonable prospect of successful homeownership – and away from less creditworthy borrowers.

The concern expressed regarding the level of forward mortgage MIP rates is an issue that should be considered across the FHA Single Family portfolio – with consideration given to all segments of borrowers interested in utilizing FHA-insured financing. However, FHA must balance this consideration with its two statutory objectives: 1) Maintaining a financially sound MMIF; and, 2) Ensuring that the FHA insurance programs are serving those borrowers that the programs are designed to serve.

- You state in your testimony that housing finance reform is a personal interest for you. Do you agree that broad access to affordable mortgage financing should be a goal of housing finance reform? If so, in your opinion, what are the necessary components of the current housing finance system that must be retained in order to ensure broad access to affordable mortgage financing? Do you have any other affirmative proposals to ensure affordability and access through housing finance reform?

RESPONSE: HUD supports access to affordable mortgage financing. The Department, in concert with other stakeholders within the Administration, is interested in working with Congress toward legislative reforms that would build a well-functioning housing finance system while reducing taxpayer risk. FHA should continue to serve a targeted and mission-focused role of helping first-time and low- and moderate-income homebuyers purchase homes they can afford, and that allow them to build equity. And Ginnie Mae should continue to attract global capital to the housing finance system to enable affordable mortgage financing through all market cycles.

- The FHA plays a countercyclical role in the housing market, expanding in times of market stress, and shrinking in times of market stability. Accordingly, the most recent annual report shows that the FHA's market share has diminished substantially since its peak during the housing crisis and has stabilized in the past few years. Nevertheless, some continue to claim that the FHA is playing an outsized role in the housing market. Do you agree? Why or why not?

RESPONSE: FHA does not target a particular market share. FHA's role in the market is to facilitate the availability of mortgage credit to qualified, creditworthy borrowers who might otherwise lack access to affordable sources of mortgage credit. FHA's market share fluctuates in response to market conditions, which is evidence of its important countercyclical role – expanding during times of economic stress and contracting to its core mission to serve low- to moderate-income and first-time homebuyers under normal market conditions. Its mission should be defined by its ability to execute these objectives instead of an arbitrary target for market share.

- Although the annual actuarial report on the financial status of FHA's Mutual Mortgage Insurance Fund is not due out until next month, can you provide your current assessment of FHA's financial position?

RESPONSE: The *Annual Report to Congress Regarding the Financial Status of the FHA Mutual Mortgage Insurance Fund* (Annual Report) for fiscal year 2017 was published on November 15, 2017. As the report details, the MMIF Capital Ratio declined to 2.09 percent in fiscal year 2017, down from 2.35 percent a year earlier. An independent actuary validated FHA's estimate of net present value cash flow used to calculate the capital ratio (see Appendix E of the Annual Report). As estimated in the 2019 Budget, FHA is adequately capitalized to cover future claims on its single-family insured mortgage portfolio.

Additionally, this year's Annual Report provided greater detail on the financial health of both the forward and reverse mortgage portfolios. The stand-alone capital ratio of FHA's forward mortgage insurance portfolio increased to 3.33 percent, up from 3.11 percent a year ago. The stand-alone capital ratio of FHA's reverse mortgage insurance portfolio, the Home Equity Conversion Mortgage (HECM) program, deteriorated to negative 19.84 percent in fiscal year 2017, a decline from negative 11.81 percent a year ago. The HECM portfolio continues to have a negative impact on the MMIF, offsetting the positive results from the forward mortgage portfolio.

- You have stated that you will be an active participant in discussions around housing finance reform. What discussions have taken place so far among federal agencies? What are the goals and vision you are bringing to the table in terms of the future of the FHA? Are there specific changes to FHA programs that you would like to see considered in any housing finance reform legislation?

RESPONSE: HUD has participated in interagency discussions, including with the Department of the Treasury, on housing finance reform. HUD supports the efforts of the Administration to work with Congress on a comprehensive approach to reform that that would build a well-functioning housing finance system while reducing taxpayer risk. HUD believes that a targeted and mission-focused FHA can serve an important role in affordable and sustainable homeownership.

- Is your vision for the FHA compatible with the PATH Act, which would drastically shrink the FHA's footprint?

RESPONSE: FHA's footprint expanded significantly in response to the housing crisis as FHA was called upon to serve an important countercyclical role in support of the housing market. Since then, FHA's market share has generally declined, although it experienced an increase in response to a reduction in Mortgage Insurance Premiums implemented in 2015. HUD will support the Administration's efforts to work with Congress on reforms that ensure a well-functioning housing finance system, with an appropriate role for FHA, while protecting taxpayers.

- For the past several years, HUD has been selling some distressed mortgages to outside investors through the Distressed Asset Stabilization Program (DASP). Consumer advocates have raised a number of concerns about DASP, including concerns that borrowers are not notified before their loans are sold, concerns that borrowers are not actually achieving better outcomes through this program, and concerns that non-profits are disadvantaged in bidding for these sales.

- What is your vision for DASP going forward?

RESPONSE: FHA has several tools to address asset disposition, including DASP. FHA is currently assessing a range of loss mitigation and disposition strategies that will optimize borrower loss mitigation wherever practicable and allow for maximized recovery on asset disposition.

Since 2012, FHA has sold more than 100,000 non-performing single family mortgages through DASP note sales. Nonprofit groups have qualified for, bid on, and successfully won in the competitive auctions, including two nonprofit groups who were the winning bidders on two different pools in the most recent DASP note sale on September 14, 2016.

- Do you expect to continue the program?

RESPONSE: See response above.

- Do you anticipate any changes to it in response to these concerns?

RESPONSE: Should HUD pursue another DASP note sale, it will continue to work with servicers of FHA-insured mortgages to ensure that they are following FHA's servicing guidelines and correctly identifying eligible severely delinquent mortgages to be included in any sale.

- How do you plan to ensure that DASP does not negatively impact the borrowers whose loans are sold or communities where the homes securing those loans are located?

RESPONSE: Should HUD pursue another DASP note sale, it will continue to identify program enhancements and work with FHA servicers to ensure they are identifying appropriate loan sale populations. FHA has several tools to address asset disposition, including DASP. FHA is currently assessing a range of loss mitigation and disposition strategies that will optimize borrower loss mitigation wherever practicable and allow for maximized recovery on asset disposition.

- The OIG has also specifically identified that at least two of these surveyed loans were improperly sold through DASP. Will you investigate what happened to these two homeowners once their loans were sold through the DASP program, determine whether they were offered appropriate loss mitigation and compensate them for any improper losses that they may have suffered as a result? What steps will HUD take to determine whether the loans of other FHA borrowers were improperly sold through DASP and compensate those borrowers for any improper losses they experienced?

RESPONSE: HUD is working to implement the recommendations made by the Office of the Inspector General in their Single Family Loan Sales (SFLS) and DASP Audit Reports dated July 14, 2017 (2017-KC-0006) and September 29, 2017 (2017-KC-0010), respectively.

The objective of the July 14, 2017, audit report was to determine whether HUD conducted rulemaking for its note sales program and found that HUD did not conduct rulemaking or develop formal procedures for its SFLS program. The objective of the September 29, 2017, audit was to determine whether HUD ensured that purchasers complied with their purchase agreements. As the audit report notes, "HUD generally ensured that purchasers followed the requirements outlined in the conveyance, assumption, and assignment contracts. However, the requirements in the purchase agreements need improvement."

FHA is currently addressing the findings in both audit reports.

- The HUD Office of Inspector General recently issued a report in which it identified that nearly 15,000 homeowners with FHA loans were not provided with their rightful loss mitigation options.
 - What will HUD do to identify and ensure that these nearly 15,000 homeowners are made whole?
 - What will HUD do to identify further victims of this problem and make them whole?
 - What steps is HUD taking to ensure that no other FHA borrowers are denied appropriate loss mitigation options?
 - There are concerns about the impact that this practice has had on borrowers of color. Will you commit to analyzing the demographic makeup of borrowers who have been denied loss mitigation options to evaluate whether there has been any violation of the Fair Housing Act, and if so, take appropriate enforcement action?

RESPONSE: HUD wants to affirm that it is concerned with lenders' performance of loss mitigation functions in accordance with FHA requirements. Proper loss mitigation is an important step in upholding HUD's fiduciary duty to the Mutual Mortgage Insurance Fund. Keeping borrowers in their homes and putting them on a sustainable path towards the full repayment of their debt when possible is an important component of HUD's loss mitigation program.

With respect to the specific audit referenced, HUD is reviewing and will prepare a formal response to the report of the Office of Inspector General in accordance with the established timeframes. This response will address any changes HUD believes to be necessary to ensure lenders are complying with all HUD requirements, including loss mitigation.

Suspension of the Small Building Risk Sharing Initiative

- According to a recent paper from Enterprise and the USC Price Bedrosian Center, small and medium multifamily buildings (those with two to forty-nine units) are often more affordable and serve more lower-income households than one-unit homes or larger multifamily buildings. However, these types of buildings have accounted for a smaller share of housing construction in recent decades, and the existing stock is aging or disappearing. Earlier this year, HUD indefinitely deferred a planned Small Building Risk Sharing Initiative that was intended to increase access to capital for the preservation or rehabilitation of small multifamily buildings. The notice that announced the deferral stated that "it is not clear whether the program is still needed under current economic conditions," and that the availability of financing for these types of properties has increased recently, such as through programs offered by the government-sponsored enterprises Fannie Mae and Freddie Mac.
 - Some in the industry disagree and continue to believe that this Initiative could help fill gaps in availability of financing despite new initiatives from Fannie and Freddie. Can you expand on the rationale for deferring implementation of this program?

RESPONSE: From fiscal year 2016 through fiscal year 2017, 11 percent of multifamily commitments were for projects with 49 or fewer units; 28 percent of all FHA commitments were for loans that were \$5 million or less. Of the small loan commitments during this period, 60 percent of these loans were affordable. Given the GSE's efforts in the small loan space, coupled with the increased small loan activity in HUD's basic FHA products, the Department believes the small loan need is adequately addressed, and an expansion of FHA's footprint is not appropriate at this time.

- Given that there is clear evidence that we do not have enough affordable housing to meet the need in this country, should HUD do more to support the preservation or development of small and medium multifamily buildings? If so, what kind of steps could it take to do this if you don't see the Small Building Risk Sharing Initiative as part of the solution?

RESPONSE: HUD will continue to monitor this closely, and any future steps will be decided by the incoming FHA Commissioner.

HECM

- Currently, it is mandatory for servicers to engage consider a waterfall of loss mitigation options for FHA borrowers who default on their loans. But this is only for borrowers with forward mortgages. For seniors with Home Equity Conversion Mortgages (HECMs), loss mitigation is only at the discretion of the servicer. What is HUD's justification for requiring loss mitigation for forward mortgages and not doing the same for reverse mortgages?

RESPONSE: HUD's Loss Mitigation home retention options were created to help minimize losses to FHA's Mutual Mortgage Insurance Fund and as a byproduct, delinquent borrowers with FHA-insured forward mortgages are able to retain homeownership through loan products that result in a sustainable mortgage payment. Unlike forward mortgages where a borrower makes a monthly mortgage payment, HECM borrowers do not make monthly mortgage payments and as such, a home retention option is only necessary if a borrower defaults on their HECM loan due to missed property tax or hazard insurance payments. For HECM borrowers who fall into this category, HUD has authorized mortgagees servicing reverse mortgage loans to offer borrowers a Repayment Plan up to 5 years. We cannot require that mortgagees offer this home retention option to HECM borrowers because HUD's current HECM regulations do not include a loss mitigation program and mortgagees' existing FHA contracts of insurance are aligned with HUD's regulations.

Lastly, it is important to note that: (1) FHA borrowers (i.e., forward or reverse mortgagors) are not entitled to receive loss mitigation home retention options; (2) unlike a forward mortgage, a reverse mortgage increases in risk the longer it is outstanding. Consequently, the risk and exposure to the MMIF increases rather than decreases the longer a reverse mortgage exists; and (3) the overwhelming majority of defaults in the HECM space are related to the death of the last HECM borrower on the

reverse mortgage. When the HECM program's design is taken into consideration, death is the natural progression of this loan product because it means the borrower was able to leverage his/her home equity to age in place.

- Treasury Secretary Mnuchin earned the nickname the "Foreclosure King" for the aggressive foreclosure tactics carried out by OneWest Bank under his leadership. In particular, OneWest Bank was responsible for a disproportionate share of foreclosures on seniors with reverse mortgages under HUD's Home Equity Conversion Mortgages program (HECM). In one instance, OneWest Bank initiated foreclosure proceedings on an elderly woman just for being a few cents behind on her insurance payments. Advocates continue to have concerns that seniors with HECM loans are needlessly ending up in foreclosure. What more should HUD do to help seniors avoid foreclosure?

RESPONSE: FHA is carefully monitoring the HECM program and acted to put the HECM program on a more financially sound path for future loans. FHA is continuing to closely evaluate the program to ensure borrowers who obtain HECMs can fulfill the obligations of the mortgage.

Public Housing Demolition / Disposition

- Housing resident leaders and legal services advocates noted rampant abuse of the demolition/disposition process that did not comply with the PHA Plan law and regulations, or the demolition/disposition regulations, and displaced residents without compensation prior to demolition, and demolished public housing which could have been refurbished. HUD listened to advocates and instituted a stop-gap measure by issuing PIH Notice 2012-7, promising to issue proposed regulations later. Proposed demolition/disposition rules, which were an improvement over existing rules, were published in October 2014. What will you do to expedite implementation of a final demolition/disposition rule that has the potential to safeguard residents?

RESPONSE: HUD takes seriously its responsibility to evaluate proposals from public housing agencies (PHAs) to demolish and/or dispose of public housing units under Section 18 of the United States Housing Act of 1937 (42 U.S.C. 1437p) (1937 Act). HUD shares the view that PHAs and HUD have a mutual mission of providing better housing, more economic opportunities, and more choices to public housing residents and other low-income families.

PIH Notice 2012-7 provides that HUD reviews disposition applications on a case-by-case basis. Notwithstanding this, PIH Notice 2012-7 does place reasonable limits on PHAs' ability to dispose of public housing units for certain applications. HUD decided to place these reasonable limits on proposed dispositions principally based on other federal tools available to PHAs to reposition their public housing stocks, principally HUD's Rental Assistance Demolition (RAD) program.

Regarding the proposed rule that was published in October 2014, HUD has chosen not to issue a final rule. Instead, HUD has published a new PIH Notice 2018-04 on

demolition/disposition policy that replaces PIH Notice 2012-7 and will safeguard residents, while attempting to allow PHA's more flexibilities toward bringing better housing for their residents.

Section 3

- You have publicly indicated great support for the Section 3 obligation of the Housing and Urban Development Act of 1968. Section 3 obligates recipients and subrecipients of HUD's housing and community development funds "to the greatest extent feasible" provide training, employment, and business contracts to low and moderate-income households, particularly those in developments assisted with HUD funds. Section 3 has been operating through a greatly flawed interim rule since 1994. Finally, after much input from stakeholders, a proposed rule was published for comment in March 2015. Although not perfect, the proposed rule was a vast improvement over the 1994 interim rule. What will you do to expedite implementation of a final Section 3 rule?

RESPONSE: The Department is committed to enhancing implementation of Section 3 and is in the process of considering all available options.

NAHASDA

- Earlier this year, HUD released a report on the housing needs of American Indians, Alaska Natives, and Native Hawaiians. The report showed that housing conditions among Native Americans living in tribal areas are worse than for the U.S. as a whole. In your opinion, what more should HUD do to improve housing conditions among Native Americans, particularly in tribal areas?

RESPONSE: HUD recognizes the great need for additional affordable housing units in Indian Country, as documented in the Indian Housing Needs Study commissioned by Congress that the Department released in January 2017. HUD will continue to partner with tribes and tribally designated housing entities (TDHEs) to find and maximize all the resources available to Indian Country to support affordable housing development in a coordinated manner.

Consistent with the recommendations of the Indian Housing Needs Study and the mandates of the budget, the Department will use its technical assistance to help tribes enhance their development efforts, and to better leverage the assistance they receive, through the dissemination of leveraging strategies that work in tribal communities.

One model of pairing federal funding streams that works particularly well is combining HUD's Federal Guarantees for Financing Tribal Activities program, also known as the Title VI program, with the Indian Housing Loan Guarantee program's (Section 184) single-family loans. Tribes can take out the Title VI loan as an infusion of upfront capital to develop affordable housing and associated infrastructure; the tribe, or individual tribal members, then take out Section 184 single-family loans to purchase the individual homes and repay the tribe's Title VI loan.

The Indian Housing Needs Study found evidence for something HUD has long heard from its tribal grantees, and that is a strong preference for homeownership among Native Americans. As part of the study, HUD also published, *Mortgage Lending on Tribal Land: A Report From the Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs*. The report finds that HUD's Indian Housing Loan Guarantee program, also known as the Section 184 program, helps to address the functional market barrier to private lending presented by tribal trust land. The report also details several recommendations HUD is pursuing to further increase lending to Native American families through efforts like enhanced agency coordination and regulatory improvements. The Department continues its work with the Bureau of Indian Affairs to encourage and support the streamlining and improved processing of certified Title Status Reports (TSRs) that are necessary to tribal trust land lending. In addition, the Department supports continued investment in automation of HUD's Indian Housing Loan Guarantee program processes that will increase lender participation, and improve the efficiency of program administration, all in support of the goal of promoting sustainable homeownership in Indian Country.

- The study of American Indian, Alaska Native, and Native Hawaiian Housing Needs found that tribes have generally been more effective at producing and maintaining low-income housing units since the Native American Housing Block Grant began. However, funding for the Native American Housing Block Grant has decreased in constant dollar terms since the program was first funded. Do you plan to advocate for increased funding for the NAHBG in future budget proposals, at least to match the amount that the program initially received in constant terms?

RESPONSE: Consistent with the Budget, and regardless of funding level, tribes should explore leveraging their assistance to get more production. The Department will use its technical assistance to help tribes enhance their development efforts, and to better leverage the assistance they receive, through the dissemination of leveraging strategies that work in tribal communities.

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Re-entry

- You have indicated that you think more should be done to help formerly incarcerated people reintegrate successfully back into society. HUD has a very important role in this respect because stable housing is a necessary component of successful re-entry. And yet, HUD still has policies left over from the "war on drugs" era that create unnecessary barriers to housing

for people with criminal backgrounds. In fact, housing authorities are still allowed to have “1-strike” policies that allow tenants to be evicted after a single incident of criminal behavior, no matter how minor.

- What specific reforms do you think are necessary to reform HUD’s approach on this important issue?

RESPONSE: HUD works closely with the Department of Justice (DOJ) to ensure citizens returning to society have a positive pathway to securing stable employment and housing. This ongoing work includes participating on the Federal Interagency Reentry Council and on the Coordinating Council on Juvenile Justice and Delinquency Prevention. HUD’s participation on these key councils has resulted in promoting PHA best practices that support reentry, providing clarification on individuals eligible for HUD-assisted housing, and extending the work of HUD’s Juvenile Reentry Assistance Program (JRAP), which provides a second chance for citizens through expungement and the removal of barriers related to securing employment and housing.

HUD will continue to build on this work, as well as work with additional federal partners and non-profits to support positive pathways for citizens returning to society.

- I introduced last Congress, and plan to reintroduce this Congress, my Fair Chance at Housing Act, which comprehensively reforms HUD’s policies on screening and evictions with regard to criminal backgrounds. I believe everyone deserves a second chance and that we can create safer communities with a more compassionate, yet pragmatic, approach to re-entry. Will you commit to taking a close look at the reforms that I have proposed in the Fair Chance at Housing Act?

RESPONSE: Yes. HUD is committed to building on the existing federal interagency efforts that support re-entry and those efforts include exploring opportunities to improve outcomes for citizens. These include removing barriers preventing citizens from securing housing.

Fair Housing

- State and local housing agencies have in recent years been under increasing pressure to allocate rent subsidies to high priority populations such as non-elderly people with disabilities transitioning from costly institutional settings or exiting chronic homelessness. Too often, housing agencies operate in an environment of legal and regulatory uncertainty as whether or not such preferences may run afoul of existing fair housing rules. Disability advocates have been pressing HUD to provide clarity for housing agencies to ensure that such preferences – whether as part of an “Olmstead” legal settlement or a plan to end chronic homelessness – can advance free of legal complications. Would you be willing to work with disability advocates and housing agencies to provide greater clarity and certainty as to how tenant selection preferences can be implemented consistent with fair housing requirements?

RESPONSE: HUD agrees that housing for non-elderly people with disabilities and homeless people is a critical need. To assist in meeting this need, HUD has provided guidance to housing stakeholders concerning preferences for special populations and reviewed Olmstead legal settlements to approve disability-based preferences. HUD works diligently to ensure that HUD-funded programs adopt preferences that do not run afoul of fair housing laws and are consistent with congressionally authorized programs to serve those special populations.

Re-organization of HUD Offices

- During the last Administration HUD's Office of Multifamily Programs underwent a transformation initiative to restructure the organization and improve transactional and operational efficiency. What is the status of the transformation – and are there any changes you plan to implement going forward?

RESPONSE: The Office of Multifamily Housing Programs was consolidated into a five-region field structure through HUD's Multifamily for Tomorrow (MFT) reorganization. The MFT reorganization was completed in September 2016.

Each of the five regions has one Hub Office and one or two Core Satellite Offices. The Hub and Core Satellite locations, by region, are as follows:

- Central Region: Fort Worth (Hub Office) and Kansas City (Core Satellite Office);
- Midwest Region: Chicago (Hub Office); Detroit and Minneapolis (Core Satellite Offices);
- Southeast Region: Atlanta (Hub Office) and Jacksonville (Core Satellite Office);
- Northeast Region: New York (Hub Office); Boston and Baltimore (Core Satellite Offices); and
- Western Region: San Francisco (Hub Office) and Denver (Core Satellite Office).

Although the Office of Asset Management and Portfolio Oversight employees continue to remain in pre-MFT field offices, future staffing will be limited to the five Hub Offices and seven Core Satellite Offices.

FHA multifamily mortgage insurance application processing times have improved for all multifamily loan insurance products due to the MFT reorganization. In fact, FHA multifamily production staff process loan applications 60 to 70 percent faster than before MFT. In the Office of Asset Management and Portfolio Oversight, the reorganization has allowed for consistency across regions, as well as an increased focus on troubled projects to allow for risk-based and proactive interventions. The default rate on multifamily properties has fallen from 0.33 percent at the beginning of MFT in September 2014 to 0.08 percent as of February 2018 with only 11 delinquent loans out of over 11,000 total FHA-insured multifamily loans.

- On August 30, 2017, the National Federation of Federal Employees Local 1450, representing HUD employees in California, Arizona, Nevada, and WONAP (Albuquerque), sent HUD a request for several documents related to HUD's plans to reorganize its offices. HUD subsequently denied this request, stating that the union had not stated a "particularized need." However, under existing law, a union has a right to information documenting personnel actions affecting employees on whose behalf the union is seeking to negotiate the impact of a reorganization and details or reassignments to other jobs; this is recognized as a "particularized need."⁴

- Will you commit to reconsidering HUD's denial of this document request?

RESPONSE: HUD continues to be committed to sharing any information documenting personnel actions affecting employees. The documents requested are pre-decisional budget documents or are items that were referenced in pre-decisional budget documents, and cannot be shared at this time, consistent with guidance to all federal agencies. HUD will meet its contractual and statutory bargaining obligations (including sharing of documents) for any reorganizational activities the Administration ultimately elects to pursue.

- Will you commit to working with union representatives to ensure that they have all the information they need to monitor how future reorganization plans could impact employees?

RESPONSE: Once decisions have been made about any future reorganizations, HUD will be in a better position to work with the union to identify and provide information the union needs. In the interim, HUD has met with union representatives on multiple occasions to discuss potential reform activities and is committed to continuing that engagement.

⁴ See Peter Broida, "A Guide to Federal Labor Relations Authority Law and Practice," American Civil Service Law Series, 2015 (p. 291)

