

April 25, 2006

Statement Thomas Carew, Frontier Housing, Morehead, Kentucky, regarding
H.R. 5039, The Saving America's Rural Housing Act of 2006

Mr. Chairman and Members of the Committee (Financial Services)

Frontier Housing is a non-profit corporation providing housing solutions for low income Eastern Kentuckians since 1974. We serve an area of nine (9) counties in North Eastern, Appalachian, Kentucky. Five of these counties are, unfortunately listed in top 100 poorest counties of the United States. This area includes two Congressional Districts, the Fourth and the Fifth. I have attached as part of my testimony two maps from the Appalachian Regional Commission indicating Poverty Rates in Appalachia as of 2000 and County Economic Status as of Fiscal year 2006. As can be seen in the map indicating Economic Status six of the counties in our service area are Distressed (red) the remaining three are At Risk (tan). The Poverty rate map indicates that three of the counties, have poverty rates ranging from 27.6% to 45.4% while the remaining 6 counties have rates from 19.4% to 27.5%.

H.R. 5039 introduced by Congressman Geoff Davis, (R-KY 4th) addresses certain issues affecting the Section 515 Rural Rental Program of the United States Department of Agriculture's Rural Housing Service, formerly known as the Farmers Home Administration. The 515 Program has financed approximately 12,000 units in approximately 454 projects across the Commonwealth of Kentucky. Many of these units are in our service area, and provide decent housing for the poorest of the poor.

H.R. 5039 addresses the issue of an owner's right to pre-pay the Rural Housing Service (henceforth RHS) on developments financed prior to December 15,

1989, and secondly the bill puts forth a program that would enhance the revitalization of the majority of Section 515 Developments on a voluntary basis.

We applaud the provisions of the bill, which create financing mechanisms which will enable the revitalization of many units in the 515 stock. In my previous position at the Commonwealth of Kentucky's Housing Finance Agency, Kentucky Housing Corporation, we found it very difficult to assist a developer wishing to revitalize a 515 project. The existing RHS regulations essentially prohibited other financial partners from participating in a financial restructuring, and an injection of new capital to rehabilitate an older project. The Bill includes provisions for the following financial enhancements: reduction or elimination of interest on the loan, partial or full deferral of payments, forgiveness of loans, subordination of loans, reamortization, and grants. In return for the Government's new investment the owners would have to agree to new property use restrictions for a period of not less than 20 years. These financial enhancements will enable other partners, such as Housing Finance Agencies, to participate in the revitalization of a project, thus making better housing available for very low income families.

The Bill also addresses the pre-payment of projects financed prior to December 15, 1989. Recent settlements in the U.S. Court of Claims in favor of project owners have raised the concern of many as to the cost of keeping pre- 12/15/89 units in the Section 515 program. As many of you know the RHS over the past 12 or so years has drastically reduced the funds available to construct new 515 projects to the point where there is little to no new construction. This raises the concern that if we are to lose thousands of affordable units across America, how will they be replaced? Does it make sense to give up the units we have now for an investment we made years ago and pay today's prices to replace the units? The cost to replace these units surely will cost more than to keep them in the program? What funding is on the horizon to replace these units at affordable rents? Generally speaking the tools we have today, Tax Credits, HOME, the Affordable Housing Program of the Federal Home Loan Bank, State Trust funds,

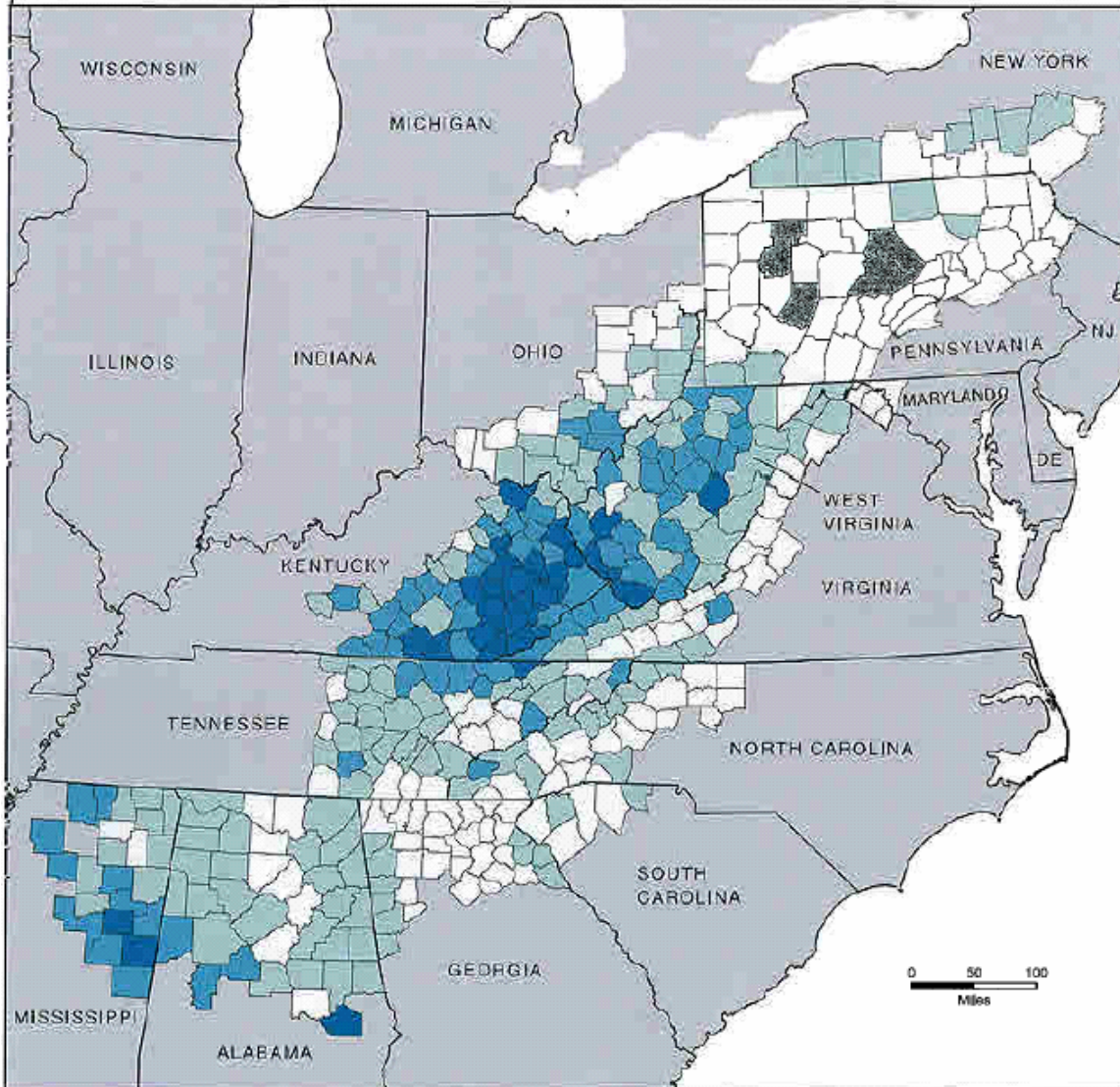
and other State-provided financing will not begin to be able to replace the affordable units we might lose in the 515 program. No other national Program can match the 50 year 1% (the interest rate could go as low as 1%) financing made available through the 515 program.

The Bill does provide a mechanism for housing vouchers for tenants who would be displaced as a result of pre-payment. There are some technical corrections that should be made in the bill to clarify when a tenant is eligible to receive a voucher. Tenants should be eligible if they are a resident on the date the owner notifies the tenants of their intention to pre-pay. Tenants should have the option of using the voucher to remain in the existing project. We recommend that the bill use the HUD Section 8(t) language: “the assisted family may elect to remain in the same project in which the family was residing...”. There are some budgetary questions related to the vouchers: will there be sufficient funds to provide the needed vouchers? How long will the vouchers last? These questions should be addressed. Should the number of units coming off line be limited or tied to the number of vouchers budgeted in a specific fiscal year? In other words if we lose 1000 units in a given fiscal year to pre-payment; should there be 1000 new vouchers available for the displaced tenants?

I think we need to recall why the Section 515 program was created: to provide, safe, decent, housing for the poorest rural Americans. If we are unable to preserve the units we have, then we should look at a mechanism to replace the units we lose. This Bill provides some excellent tools to revitalize those units which remain in the program, and provides a pre-payment mechanism for those developers looking to leave the program. I would respectfully challenge the Committee to create a new program or adequately fund the existing Section 515 program to finance the construction of new replacement units at affordable rents.

Mr. Chairman, and members of the Committee thank you for this opportunity to comment on H.R. 5039. I applaud your work on behalf of the housing needs of Rural Kentuckians, Rural Americans.

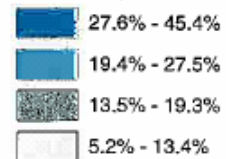
Poverty Rates in Appalachia, 2000 (County Rates)



A poverty rate is the ratio of the persons below the poverty level to the total number of persons for whom poverty status has been determined. The map uses natural breaks in the distribution to organize the data into groups of common values.

U.S. average = 12.4%
Appalachian average = 13.6%

Poverty Rate

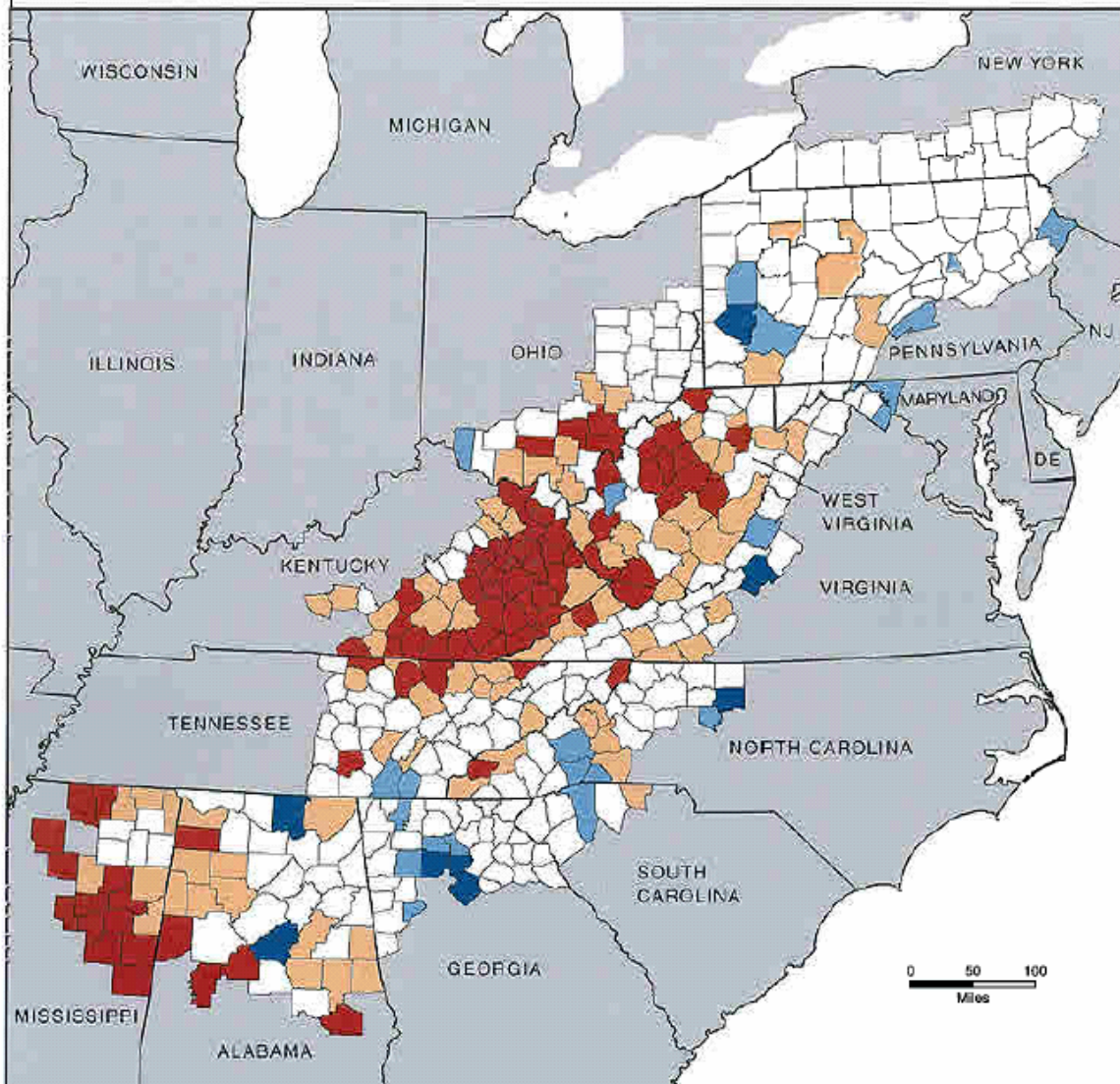


(Natural Breaks Classification)



Map Created: October 2004.
Data Source: U.S. Census Bureau, 2000 Census, SF3.

County Economic Status in Appalachia, Fiscal Year 2006 (Effective October 1, 2005 through September 30, 2006)



Each fiscal year the Appalachian Regional Commission classifies the Region's counties into one of five economic levels based on a comparison of county and national rates for three economic indicators: three-year average unemployment rates, per-capita market income rates, and poverty rates.

County Economic Levels

- Distressed (77)
- At-Risk (81)
- Transitional (222)
- Competitive (22)
- Attainment (8)



Map Created: October 2005.
 Data Sources: U.S. Bureau of Labor Statistics, LAUS, 2001-2003;
 U.S. Bureau of Economic Analysis, REIS, 2002;
 U.S. Census Bureau, 2000 Census, SF3.

United States House of Representatives
Committee on Financial Services

“TRUTH IN TESTIMONY” DISCLOSURE FORM

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

1. Name: <i>Thomas Carraw</i>	2. Organization or organizations you are representing: <i>Frontier Housing Inc</i>
3. Business Address and telephone number: <i>42 Lady Drive Morehead, Kentucky 40351 606 784 6362</i>	
4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2004 related to the subject on which you have been invited to testify?	5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2004 related to the subject on which you have been invited to testify?
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
6. If you answered “yes” to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.	
<div style="border: 1px solid black; height: 100px; width: 100%;"></div>	
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Please attach a copy of this form to your written testimony.

VITA

Name: Dr. Thomas A. Carew
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Morehead, KY 40351

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tom@frontierhousing.org

Education:

Fairfield University, Fairfield, Conn. 1969-1971
(Area of Studies: Politics and Philosophy)
Doctor of Laws (Honoris Causis) Fairfield University June,
1992

Work Experience: December 1, 2004 to Present: Frontier
Housing Inc. Director of the Red River Initiative.

January 1, 2000 to November 30,
2004: Kentucky Housing Corporation, the
Commonwealth of Kentucky's Housing Finance
Agency. Director of the Appalachian Housing
Department and beginning March 1, 2003 the Director
of the Department of Design and Construction
Review. Implemented the first HFA policy on
Minimum Design Standards and Universal Design
Standards. Created the HouseWorks and HomeStart
partnership with USDA, Rural Housing Service,

1974 to December 31, 1999, Co-Founder and
Executive Director of Frontier Housing, Inc. in
Morehead, Kentucky. A private non-profit
organization located in Appalachian, Kentucky.
Developer of housing for low-income families and
training the unskilled in residential construction.
Development work has included fundraising,
construction, rehab, site and subdivision
development, joint ventures and Block Grant
Administration. Administration of Loan/ Mortgage
portfolio for new housing and rehabilitation.

Farm Manager: 1971-1973, Glenmary Farm, Vanceburg, Kentucky; an arm of the Glenmary Home Missioners, a Catholic Order. The farm provided a place for volunteers to work on local projects, such as home rehabilitation, new construction and farm work.

Past and Current Memberships

Organization:

F.A.H.E

Federation of Appalachian Housing Enterprises. Founding member of the Board of Directors, Berea, Kentucky.

Chairperson 1985-89

Member of the Executive Committee 1990-99.

The Federation is an association of Non-Profit Housing Organizations in the Central Appalachian states of Kentucky, West Virginia, Virginia, and Tennessee.

National Rural Housing Coalition. A national association of RURAL non-profit organizations promoting the development of federal legislation fostering housing opportunities for low income families. Member of the Executive Committee of the Board of Directors 1990-2004. Treasurer, December 2005 to Present.

Kentucky Appalachian Commission: Elected representative of the Appalachian Advisory Council to the Commission 1995 through 1999. Designee of the CEO of Kentucky Housing Corporation 2000-2003.

Kentucky Office of Housing Buildings and Construction Board Member Designee of the CEO of Kentucky Housing Corporation.

Morehead Area Habitat for Humanity. Founding member of the Board of Directors 1988-98.

Saint Claire Regional Medical Center, Morehead, KY. Board of Directors 1998–Present. Member of the Executive Committee and Treasurer 1999-Present.

Morehead Utility Plant Board; Board Member 1998-
Present. Vice Chairperson June 2005 – Present.

Morehead Lakeview Heights Joint Planning
Commission 1994-Present. Vice Chairperson

Awards and Honors:

Recipient of The "Dorothy J. Williams" "Lifetime Achievement Award" for "Outstanding Achievement in Promoting Affordable Housing". November 2, 1990. This award is given annually by the Commonwealth of Kentucky's Housing Corporation (KHC).

Catholic Diocese of Lexington Mission Award 1994

Morehead Rowan County Chamber of Commerce
"Service Above Self" Award 1998.