Thank you Chairman Hensarling and Ranking Member Waters for this opportunity to discuss the future of housing in America. This year, the Department of Housing and Urban Development (HUD) celebrates its 50th Anniversary, and this occasion provides us with the chance both to reflect on the Department’s accomplishments and look forward as we chart our course over the next 50 years. I welcome the opportunity to appear before this Committee to discuss HUD’s mission, how far we’ve come, where we want to go, and how our budget request helps us get there.

Five Decades of Opportunity for the American People

Fifty years ago, HUD’s creation reflected a new way of thinking about our urban communities. For years, a number of stakeholders had been advocating for a Cabinet-level agency focused on cities. It was a goal that John F. Kennedy established as a part of his campaign platform when running for President in 1960. And immediately after taking office at his first State of the Union Address, President Kennedy called for the creation of a new Urban Affairs Department.

In September 1965, President Johnson answered that call for action when he signed into law legislation establishing HUD as the eleventh department of the Federal Government. In that year, President Johnson said, “We must make sure that every family in America lives in a home of dignity and a neighborhood of pride, a community of opportunity and a city of promise and hope.”

For the last 50 years, HUD’s dedicated employees have done extraordinary work towards making these goals a reality in American life by creating affordable housing, helping working and middle class families achieve responsible homeownership, tackling homelessness and the lack of affordable housing for low-income families, and fueling healthy economic development.

The Department’s mission is driven by an underlying belief that all Americans should have the opportunity to live in a vibrant, safe and stable community that they can be proud of. This is the core value of our work and it is reflected in HUD’s accomplishments over the past half century:
The Federal Housing Administration (FHA) continues to provide access to mortgage credit for responsible but underserved families. It has insured more than 40 million home mortgages since its inception. In the last three years alone, FHA has insured the loans of 1.6 million borrowers and, in so doing, helped the housing market stabilize after the worst housing crisis in FHA’s 80-year history.

In the last 20 years, HUD has provided housing assistance to more than 35 million individuals through our Public Housing, Housing Choice Voucher (Section 8), Project Based Rental Assistance, Section 202 (Supportive Housing for the Elderly), and Section 811 (Supportive Housing for Persons with Disabilities) programs.

Over the past two decades, HUD’s HOME Program has assisted more than 600 communities produce more than 1.2 million affordable housing units, including almost 500,000 units for first-time homebuyers. In addition, HOME has assisted more than 300,000 tenants obtain direct rental assistance.

Since its creation in 1974, the Community Development Block Grant (CDBG) has invested nearly $150 billion in communities nationwide. CDBG is an important catalyst for economic growth, helping communities leverage funds for essential water and sewer improvement projects, address housing needs, forge innovative partnerships to meet increasing public service needs, and revitalize their economies.

The Indian Housing Block Grant (IHBG), the largest program under the Native American Housing Assistance and Self Determination Act (NAHASDA), has infused almost $11.4 billion to support a range of affordable housing and community development activities in tribal communities over the past 18 years. Over the life of the program through 2014, IHBG recipients have built or acquired almost 37,000 affordable housing units in Indian Country, and substantially rehabilitated almost 72,000 units. IHBG recipients also currently maintain more than 46,000 “HUD units” that were funded before NAHASDA was enacted.

A Vision of Opportunity

I truly see HUD as the “Department of Opportunity.” When I joined HUD nearly a year ago, I recognized HUD’s proud legacy of providing opportunities and support for struggling and working class Americans. From providing housing assistance to stabilizing communities, the work we do everyday empowers families and communities to realize their dreams. We call HUD the Department of Opportunity because -- whether you're rich or poor, young or old, a

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1 Since 1995, HUD has provided housing assistance to more than 35 million individuals through its Public Housing, Housing Choice Voucher, Project Based Rental Assistance and Section 202/811 programs. In 1995, HUD started compiling from agencies the data they submit on 50058 (Public Housing and Housing Choice Vouchers, Mod Rehab) and 50059 (PBRA, 202, 811) forms about tenants. These data include the SSN, name, and other demographic information about each member of an assisted household. As of March 31, 2015 we had 35,339,714 unique SSNs retained in our historical data files for the individuals we have served through our assistance programs.


3 These figures are taken from HUD’s forthcoming Report to Congress: Native American Housing Assistance and Self-Determination Act, Fiscal Year 2014.
Republican or a Democrat -- housing shapes the quality of your life. Good housing and strong communities are not only a source of hope, but a driving force of our economy.

My vision and priority is to build upon our Department of Opportunity, produce measurable and tangible results, and lay the groundwork for the future. So far over the past year we have:

- **Made homeownership more accessible by reducing FHA’s annual mortgage insurance premiums by 50 basis points.** This measure will save more than two million households over $2 billion during the next three years. It will also encourage more than 250,000 new borrowers to enter the market and create tens of thousands of jobs;

- **Continued to build on the success of President Obama’s “Opening Doors” plan to prevent and end homelessness,** an effort started prior to my arrival, which has led to a 21 percent drop in chronic homelessness and a 33 percent drop in homelessness among veterans. Just recently, I traveled to Houston to celebrate yet another city that has ended veterans homelessness altogether with the help of our programs;

- **Led efforts to reduce wasteful energy consumption.** HUD spends $6.4 billion annually -- 14 percent of HUD’s budget -- on utility costs for affordable housing properties and households. On average, low- and moderate-income households spend 14.6 percent of their income on energy costs – that’s four-and-a-half times higher than the energy burden for households with higher incomes. HUD has been leading efforts with the Department of Energy (DOE) to expand the Better Buildings Challenge into multifamily housing. As of today, DOE and HUD have welcomed nearly 100 multifamily housing partners to the Better Buildings Challenge to cut energy waste. To date, these partners have committed to reduce energy consumption by 20 percent within a decade; and,

- **Converted 32,000 units from the Public Housing, Moderate Rehabilitation and Rent Supplement and Rental Assistance Payments (Rent Supp and RAP) programs to section 8 under the Rental Assistance Demonstration (RAD).** By offering a long-term contract tied to a historically more reliable funding stream and a regulatory structure that facilitates partnerships with other forms of private and public financing, RAD is essential to preserving scarce affordable housing assets. The demonstration promotes public-private development activity and recapitalizes the HUD-assisted housing portfolio for long-term stability and affordability.

Although I am extremely proud of our accomplishments, I share the concerns of many of our community partners who understand that the Department’s budget is insufficient to serve all of those who depend on our programs. I joined the Department at a time when budget cuts imposed by sequestration have undermined its ability to meet the demand for its services, and I have seen how a lack of resources has left communities severely challenged. Under HUD’s current

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budget, we are only able to help one out of four people eligible for rental assistance. That is why passing the President’s budget proposal for HUD is so critical.

**Operationalizing Opportunity**

Despite HUD’s current budgetary constraints, we are taking proactive steps to carry out our important mandate to better serve the people who depend on our programs. We understand HUD needs to improve the way we do business and to continue to modernize the agency so that it can operate effectively for the next 50 years and beyond.

To this end, during her first five months, Deputy Secretary Nani Coloretti led an operational and management review -- referred to here as a series of “Deep Dives” -- to assess whether we are directing our resources to address our highest priorities. This exercise enabled us to identify areas of strength and areas to improve. To build a stronger HUD, the Department must increase our capacity to execute our mission in three key areas—people, processes and systems.

We learned that HUD does many things very well. For example, we administer complex grant programs, build interagency coalitions, and deploy technical assistance to communities around the country. HUD has many dedicated employees working to help those who rely on our programs.

To build on our strengths, we have implemented several measures that seek to optimize our workflow and improve coordination throughout the agency. In response to the Deep Dives, we have established a new quarterly governance process to provide leadership with ongoing visibility into management metrics and goals, and to use data to make better operational decisions.

We are also among the federal agencies leading the movement to adopt shared services, which help the Department get out of the business of certain back office functions. This year, we will move our core financial system to Treasury’s service provider to improve HUD’s financial management and internal controls. Already, we have moved all of our transactional hiring responsibilities to the same organization.

In addition to strengthening our financial systems, we are improving our financial management. We anticipate that 10 of 11 material weaknesses on our financial statements will be resolved or reduced significantly by the end of this fiscal year.

We are changing how HUD makes IT funding decisions by taking a more agile, enterprise-wide approach to IT investments, which will help decommission antiquated systems, and improve system availability and security.

We’ve also implemented an enterprise-wide approach to the delivery of technical assistance (TA) by streamlining decision-making, sharing project management across offices, and reducing duplicative TA projects. This approach delivers cross-cutting TA for issues like financial management, environmental review and fair housing, rather than duplicating the same training with different providers in each program area. This results in less staff time devoted to TA.
management and better assistance for our grantees, who can now access on-demand program resources, training and answers to questions.

We have a renewed commitment to investing in our staff’s professional development by working to increase the management and leadership capacity of staff. We have re-established a Senior Executive Service candidate development program by partnering with another agency, and will require core training for all managers and supervisors.

Evidence-Based Opportunity

Last year during my confirmation process, I stated that one of my goals during my tenure is to make evidence-based practices the norm at HUD so we can maximize our dollars and improve outcomes. Even with constrained budgets and resources, HUD has made data-driven analysis central to all of its work. By collecting information on the performance of our program participants and measuring outcomes, HUD has identified successful strategies that increase accountability, improve the delivery of services, and allow the Department to make its budget go farther. I am pleased today to let you know about several areas where we are demonstrating data-driven results.

Two of HUD’s most high profile programs, Choice Neighborhoods (Choice) and the RAD program, which have served as laboratories for innovation at the local level, have been the subject of evaluation by HUD’s Office of Policy Development and Research.

HUD research partners have analyzed data that Choice Neighborhoods participants are required to submit as part of their programmatic agreements to measure impacts on the neighborhoods where Choice has been implemented. Data collected so far suggest that Choice Neighborhoods have contributed to improving early childhood education. Based on the evolving success of the Choice Neighborhoods program, the President has requested an additional $250 million to continue to build on the program’s accomplishments.

Data generated by participants in the RAD program have also been the subject of thorough analysis by HUD researchers. Early analysis of participants in RAD has shown that, compared to a comparison group of PHAs not participating in the program, RAD participants have been able to spur significantly more private investment in their communities. So far, the RAD program has generated half a billion dollars in outside investment, and RAD projects in the pipeline anticipate delivering a 19:1 leverage ratio of non-HUD to HUD dollars. By carefully tracking how federal investments attract additional capital from the private sector, HUD is gaining a more accurate understanding of how programs like RAD further the Department’s mission of generating quality affordable housing across the country.

In addition to using data to learn about the effectiveness of programs like RAD and Choice Neighborhoods, HUD has also funded the Administrative Fee Study to measure the actual costs

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of operating high-performing and efficient Housing Choice Voucher programs. The Administrative Fee Study, which tracked a broad range of expenses incurred by 60 PHAs between 2012 and 2014, revealed what PHAs already know to be true: that the current PHA administrative fee formula does not reflect the main cost drivers of a well-run, high performing voucher program.

Other research conducted by HUD has shown how vital Housing Choice Vouchers are for preventing family homelessness and many of the negative outcomes associated with it, like child separation, intimate partner violence, and chronic school absence. The President’s Budget calls for specific authority to serve vulnerable populations, such as families experiencing homelessness, Native Americans, survivors of domestic and dating violence, families with children in foster care, youth aging out of foster care, and homeless veterans, regardless of their discharge status.

Finally, we have used data to monitor and improve how efficiently our programs are run. For example, the HUD Quality Control for Rental Assistance Subsidy Determinations Study has enabled the Department to decrease improper payments by 73 percent since 2000. Although the complexity of our rental assistance programs sometimes leads to payment errors, the use of data has enabled HUD to zero in on problematic practices and significantly reduce instances of underreported resident income and other errors that lead to improper tenant subsidies.

**Securing Opportunity for the Future**

While the HUD team has been focused on improving program efficiency, we cannot ignore that HUD programs are underfunded relative to demand and need for our programs. The President’s Budget would increase HUD’s funding level to $49.3 billion, nearly $4 billion more than Fiscal Year 2015’s enacted level. The additional $4 billion that the Administration has requested for Fiscal Year 2016 seeks to reverse the impact of sequestration on critical HUD programs. This increase will allow HUD to reach those who depend on our work and to better advance our mission.

This begins with helping more Americans secure a place to call home. HUD’s Budget proposes more than $21 billion for the Housing Choice Voucher Program. This funding would extend support to more than 2.4 million low-income families. The President’s Budget also restores vouchers lost to sequestration -- which will help 67,000 households.

This support is urgently needed. Last year, Americans living in a number of cities, including Phoenix, St. Louis, San Francisco and Denver, were confronted with rents that increased by double-digit percentages from the year before. And the crunch in housing affordability comes at a time when millions of our fellow citizens are working harder to make ends meet. As HUD outlined in our 2015 “Worst Case Housing Needs” Report to Congress (based on 2013 American Housing Survey data), there are 13.7 million very low-income renter households in the United

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9 HUD Family Options Study (to be released July 2015): http://www.huduser.org/portal/family_options_study.html
States that receive no assistance to cover the cost of housing.\textsuperscript{11} Even more alarming, 7.7 million of those renter households – those with the “worst case needs” – live in severely inadequate housing, pay more than 50 percent of their income in rent, or both.\textsuperscript{12}

In addition, the President’s Budget for Fiscal Year 2016:

- **Supports the Mortgage Market and Provides Access to Credit.** The Administration projects that FHA will insure $204 billion in mortgage loans in 2016, including mortgages for new home purchases and refinanced mortgages that significantly reduce borrower payments. FHA’s loss mitigation program minimizes the risk of financially struggling borrowers going into foreclosure, while reducing losses to the insurance fund. Last year, FHA helped more than 477,000 families avoid foreclosure. The President’s Budget also includes $60 million for housing and homeowner counseling through HUD.

- **Provides Ladders of Opportunity for High-Poverty Communities.** The President’s Budget provides $250 million for Choice Neighborhoods to continue to transform neighborhoods of concentrated poverty into opportunity-rich, mixed-income neighborhoods. This funding level will be used to revitalize HUD-assisted housing and surrounding neighborhoods through partnerships between local governments, housing authorities, nonprofits, and for-profit developers. Preference for these funds will be given to designated Promise Zones—high-poverty communities where the Federal government is working with local leadership to invest and engage more intensely to create jobs, leverage private investment, increase economic activity, reduce violence and expand educational opportunities. To further support Promise Zones, the Budget includes companion investments of $150 million in the Department of Education’s Promise Neighborhoods program and $29.5 million in the Department of Justice’s Byrne Criminal Justice Innovation Grants program, as well as tax incentives to promote investment, jobs and economic growth.

- **Supports Strategic Infrastructure Planning and Investments To Help Make America a Magnet for Jobs.** HUD is committed to ensuring that its core community and housing development work contributes to more and better transportation choices; promotes equitable, affordable housing; helps communities address the lingering neighborhood impacts of the foreclosure crisis; and aligns federal policies and funding to remove barriers to local collaboration. The President’s Budget provides $2.8 billion for the Community Development Block Grant (CDBG) formula program, and proposes reforms to better target CDBG investments to address local community development goals.

- **Protects the Vulnerable Recipients of HUD Rental Assistance and Makes Progress on the Federal Strategic Plan to End Homelessness.** The Budget includes $21.1 billion for the Housing Choice Voucher program to help about 2.4 million low-income families afford decent housing in neighborhoods of their choice. This funding level supports all existing vouchers and fully restores the sequestration funding cuts by adding 67,000 new


\textsuperscript{12} Ibid.
vouchers to the program. The Budget also includes $10.8 billion for the Project-Based Rental Assistance program to maintain affordable rental housing for 1.2 million families, and provides $6.6 billion in operating and capital subsidies to preserve affordable public housing for an additional 1.1 million families.

- **Provides $2.5 billion for Homeless Assistance Grants, $345 million above the 2015 enacted level.** The increased funding will enable HUD to maintain existing projects, fund the increased competitive renewal demand for Continuums of Care, and create 25,500 beds of permanent supportive housing for chronically homeless persons to reach the goal of ending chronic homelessness in 2017. In addition, the President’s Budget includes 15,000 rapid rehousing interventions for households with children, which will support the goal of ending child, family and youth homelessness by 2020.

- **Puts HUD-subsidized Public and Assisted Housing on A Financially Sustainable Path.** Public housing authorities (PHAs) support housing for over three million families. To bring our rental housing system into the 21st century and continue to address the $26 billion in public housing capital needs, the President’s Budget includes proposals that would facilitate the conversion and preservation of additional public housing and other HUD-assisted properties under RAD. At the same time, the President’s Budget provides $50 million for a targeted expansion of RAD to public housing properties in high-poverty neighborhoods, including designated Promise Zones, where the Administration is also supporting comprehensive revitalization efforts.

- **Improves the Way Federal Dollars Are Spent.** The Administration continues to seek legislation to modernize the Housing Opportunities for Persons With AIDS (HOPWA) program to better reflect the current case concentration and understanding of HIV/AIDS, and ensure that funds are directed in a more equitable and effective manner. The Budget’s $332 million recommended investment in HOPWA, in combination with the proposed grant formula modernization, will assist local communities in keeping individuals with HIV/AIDS housed, making it easier for them to stay connected to treatment and, therefore, improving health outcomes for this vulnerable population.

- **Supports the evidence-based Jobs-Plus program with $100 million, a proven model for increasing public housing residents’ employment and earnings.** Through Jobs-Plus, public housing residents will receive on-site employment and training services, financial incentives that encourage work and “neighbor-to-neighbor” information-sharing about job openings, training, and other employment-related opportunities.

- **Expands the Moving-To-Work (MTW) demonstration program to up to 15 high-capacity PHAs over the next three years through a competition.** MTW provides PHAs with program flexibility to make local decisions about how to operate their programs rather than a one size fits all policy. It also allows PHAs to test innovative uses of federal dollars to enhance tenant outcomes. MTW PHAs have implemented a range of policies designed to increase the overall affordable housing inventory, housing choice, administrative efficiencies, and earnings for low-income families to obtain self-sufficiency.
Invests in Research and Technical Assistance to Make HUD and its Grantees More Effective. The American economy of the future requires a federal government that is efficient, streamlined, and transparent. The President’s Budget once again calls for the flexible use of resources through the Transformation Initiative (TI). The Department will use TI to invest in technical assistance to build the capacity of our partners to safeguard and effectively invest taxpayer dollars, and conduct relevant and informative research so we can fund what works and stop funding what doesn’t.

Supports Native American communities. HUD is focused on expanding opportunities for native communities. The President’s Budget proposes opening the Jobs-Plus program to tribes with a $15 million set-aside. This competitive program would provide support to help residents of housing assisted under NAHASDA obtain employment and increase earnings. HUD applauds the work of this Committee in making the reauthorization of NAHASDA a priority – it is essential to furthering housing opportunities and building sustainable communities throughout Indian Country.

Challenges to Opportunity

Recently, the House considered the bill to appropriate HUD’s funding for 2016 (H.R. 2577). If enacted, the House bill would hinder our efforts to carry out our mission and invest in communities that need investment the most, and it does not reflect the need for increasing housing assistance and urban investment.

Housing Choice Voucher (HCV) Program. Our Housing Choice Voucher program, which serves the nation’s most vulnerable families and individuals, is funded under the House bill at six percent less than the President’s request. In total, compared to the President’s Budget, the House bill would serve roughly 100,000 fewer families.

Not only does the House bill fail to restore the 67,000 vouchers lost due to the 2013 sequestration, the funding level is also insufficient to renew 28,000 existing vouchers or provide full funding for tenant protection needs.

Without these vouchers, HUD will not be able to re-issue vouchers upon turnover to low-income households, or provide new vouchers for families, including tribal families, and veterans, experiencing homelessness, as well as victims of domestic or dating violence, youth aging out of foster care, and families with children in the foster care system for whom voucher assistance could facilitate reunification.

Choice Neighborhoods. Due to the success of, and high demand for the Choice Neighborhoods program, the President proposed $250 million in Fiscal Year 2016 to support the transformation of underserved communities. The House Budget guts this program, funding it at only $20 million or 92 percent less than the President’s Budget request. Each Choice Neighborhoods implementation grant is approximately $30 million, so the House mark would not even fund one full grant.
• **Homelessness.** The House bill shows how reverting to sequestration funding levels for domestic investments would once again undermine our efforts to meet critical priorities, and jeopardizes the progress that has been made in reducing homelessness in America.

Compared to the President's Budget, the House bill cuts support for Homeless Assistance Grants by $295 million, or 12 percent, supporting 15,000 fewer homeless or at-risk families with rapid rehousing and 25,500 fewer units of permanent supportive housing targeted to the chronically homeless.

• **Public Housing Capital Fund.** The House bill's 15 percent cut of $289 million from HUD’s Budget would cause further deterioration of public housing.\(^\text{13}\)

• **Healthy Homes.** The House bill would endanger the health of low-income families living with hazardous materials in their house. It slashes HUD's Office of Lead Hazard Control and Healthy Homes by nearly 40 percent, resulting in at least 3,400 fewer low-income children receiving lead hazard control grant assistance in their home.

The House bill would eliminate $45 million to protect young children from lead poisoning and other housing related health and safety hazards such as mold and moisture, radon, pests and other asthma triggers.

• **Rental Assistance Demonstration.** The House bill would prevent the modernization of more public housing and affordable housing units by not removing the cap for RAD. In addition, HUD requested $50 million in incremental subsidies for the RAD program, which was not included in the House bill. RAD is an important tool for doing capital work with private dollars on public housing. It is estimated that RAD has leveraged more than half a billion dollars in private capital.

• **Jobs-Plus.** The House bill potentially denies low-income Americans an opportunity to obtain job training and a good salary by only providing the Jobs-Plus Demonstration program with $15 million, well below HUD’s requested $100 million. Jobs-Plus is a critical initiative, in partnership with the Department of Labor, to help public housing residents increase their earned income and become self-sufficient through employment services offered in one-stop centers (American Job Centers) across the country.

• **Affordable Housing Units.** The House bill would provide $173 million less than requested in HOME funds, which help states, cities and municipalities build low-income housing. The President proposed $1.06 billion, but the House bill funds it at $887 million. This cut fails to recognize that we must significantly confront this nation’s affordable rental housing crisis by producing more affordable units.

• **Technical Assistance.** The House bill would eliminate funding for technical assistance. This cut undermines HUD’s efforts to protect billions of dollars that the federal

government invests in communities by ensuring that grantees and intermediaries have the knowledge, skills, and ability to use funds efficiently and effectively.

**Building Housing Opportunity for the Future**

Though the House bill falls short in critical areas, there are opportunities in the President’s Budget for HUD and this Committee to work together to strengthen and improve the efficiency of key HUD programs. The President’s Budget contains a number of legislative changes that can help HUD build on and expand programs that work and make improvements to those that can be made more effective and efficient.

The President’s legislative proposals would eliminate the current 185,000 unit cap on RAD conversions, allowing this innovative program to continue to recapitalize more projects and also expand the Moving To Work program to include 15 additional high-capacity PHAs.

The Budget proposes a comprehensive reform package for CDBG that would strengthen the program by helping grantees target funding resources to areas of greatest need; enhance program accountability to synchronize critical program cycles with the consolidated plan cycle; reduce the number of small grantees; and provide more options for regional coordination, administration and planning. In addition, the budget increases the percentage of funds that southern border states may set aside for Colonias.

For the HOPWA program, the administration proposes changing the statutory funding formula to better target areas with individuals currently living with AIDS rather than relying on historical numbers to allocate funding.

To improve FHA, the President’s Budget proposes a package of reforms to enhance enforcement, create more certainty for FHA-approved lenders and improve loss mitigation opportunities for borrowers to help them avoid foreclosure. The Budget would allow FHA to seek indemnification from Direct Endorsement lenders, provide enhanced authority to terminate origination and underwriting approval, and revise FHA’s compare ratio. In addition, FHA seeks a fee to enhance administrative contract support and information technology to implement a more robust quality assurance process and increase access to credit.

**Conclusion**

Though the worst effects of the financial crisis have passed, HUD programs are as important as they have ever been for lower and middle class families seeking stable, safe and affordable housing. As we celebrate our half-century anniversary, we find that working proactively to keep our communities strong and to extend opportunity to those striving for it is as crucial to our nation’s future as it was 50 years ago. The Department’s bedrock programs like FHA and Housing Choice Vouchers have been dependable forces for good in communities throughout America, and new programs like RAD and Choice Neighborhoods are making exciting innovations possible.
In 1965, President Johnson said that the American city should be a place where we satisfy our needs for shelter and work, where education expands our horizons and extends our expectations, where we feel safe, and where every person can find the satisfaction and warmth that comes from being a member of a community.

By working with Congress, partners and stakeholders, we can ensure that we meet the demand for the critical support we provide -- improving communities, ending homelessness, and helping working class families afford a place called home.

Thank you for the opportunity to appear before you today. I would be pleased to answer your questions.