



NATIONAL ASSOCIATION OF REALTORS®

*The Voice For Real Estate®*

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**HEARING BEFORE THE**  
**HOUSE FINANCIAL SERVICES COMMITTEE**

**ENTITLED**

**“THE NATIONAL AFFORDABLE HOUSING TRUST FUND ACT  
OF 2007, H.R. 2895”**

**WRITTEN TESTIMONY OF  
JOANNE POOLE, CRS, GRI, LTG  
2007 LIAISON**

**NATIONAL ASSOCIATION OF REALTORS®  
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## **Introduction**

Mister Chairman, Ranking Member Bachus and Members of the Committee, thank you for this opportunity to testify before you. My name is JoAnne Poole and I am the broker/owner of Poole Realty in Glen Burnie, Maryland. I have been a REALTOR<sup>®</sup> for 21 years, and am currently a member of the National Association of REALTORS<sup>®</sup> Enlarged Leadership Team.

The National Association of REALTORS<sup>®</sup> supports H.R. 2895, the “National Affordable Housing Trust Fund Act of 2007”. The number of families in America today facing critical housing needs is significant and growing. A dedicated Fund to produce, rehabilitate, and preserve affordable housing could make great strides towards addressing this crisis.

Americans have long believed that a decent home in a suitable living environment is a basic tenet of American life. Likewise, living in one’s own home is a measure of security and success in life. In light of the fundamental role that housing plays in families’ daily lives, the lack of affordable housing for working families – and constructive solutions to address it – deserves a prominent place on the nation’s policy agenda.

However, despite an increase in the nation’s homeownership rate to a record 69 percent and a reputation for being the best housed country in the world, many deserving American families continue to face obstacles in their quest to own a home. Our nation is experiencing a growing crisis in housing affordability and ownership that, left unaddressed, stands to threaten the future economic and social success for American families and their children.

NAR has equally and forcefully maintained that an adequate stock of affordable rental housing has an immediate and beneficial effect on the prosperity of a community. Rental housing provides a range of housing options that not only attract top employers but also generate local taxes, fees and income that benefit local economies. Sadly, the stock of affordable and available rental units is rapidly declining.

## **Need for Affordable Housing**

We commend the Committee for their continuing efforts on behalf of American families who need affordable housing opportunities. Housing has always been and continues to be one of the highest personal and social priorities in America. This national expression led to passage of landmark legislation in 1949 to insure "decent and suitable" housing for all Americans. The goal of this legislation has been to provide an adequate supply of affordable rental housing and promote widespread homeownership opportunities. Recent record homeownership rates are a testament to the success of these efforts.

It is disturbing to note, though, that even in these strong economic times when we have seen the greatest boom in homeownership rates, not all Americans have been able to benefit. Homeownership rates for ethnic Americans continue to lag behind those of the nation as a whole, coming in at a percentage figure of less than 50 percent. Rapidly escalating home prices have made finding an affordable home to purchase difficult for many working families and those of limited means. Still other studies have documented the decline in the stock of rental units that

are affordable and available, as well as a decline in the level of federal housing assistance. The critical demand for affordable housing can be seen in several areas.

Minority Homeownership. Despite great strides, a gap in homeownership for minorities still exists. In May, HUD Secretary Jackson told a meeting of REALTORS® that minority homeownership remains 25 percent below the national average. He said that “We can only improve minority homeownership through powerful partnerships, innovative thinking, and steadfast commitments to fairness, equality and justice. If we overcome these disparities, then we can change the face of homeownership in America.”

Last year the Center for Responsible Lending released a study that demonstrated that minorities are 30 percent more likely to receive a higher-priced loan than white borrowers, even after accounting for risk. African-Americans were more likely to receive higher-rate home purchase and refinance loans than similarly-situated white borrowers, particularly for loans with prepayment penalties. For Latinos the situation was even worse. According to the study, Latinos were 29 to 142 percent more likely to receive a higher cost loan than whites of similar risk. A study by the National Community Reinvestment Coalition (NCRC) found similar results. The NCRC study found that of all the conventional loans made to African Americans, 54.5 percent were high cost loans, while only 23.3 percent of whites had high cost loans.

A recent report by the NAACP and National Association of Home Builders notes that half of all African Americans live in unaffordable, inadequate or crowded housing. A lack of accessible workforce housing in many metro areas creates especially severe problems for minorities, even those employed as important community workers, such as police officers, teachers, firefighters and healthcare workers.

Housing Cost Burdens. According to the 2007 State of the Nation’s Housing report, issued by the Joint Center for Housing Studies at Harvard University, the number of households with housing cost burdens in excess of 30 percent of income hit a record of 37.3 million households in 2005. The same study reported that more than one in seven US households spent more than half their income on housing. Approximately 42 percent of those facing this burden were households with incomes roughly equal to the median income. Also supporting this assessment of housing burdens, the Center for Housing Policy estimates that more than 5 million working families had critical housing needs in 2003 – an increase of 60 percent since 1997. In 2005, 34.5 percent of homeowners and nearly 46 percent of renters were paying 30 percent or more of their gross income on housing costs, according to a recent Census Bureau's American Community Survey.

Families who pay more than 30 percent of their income for housing face challenges in all other aspects of their lives. When housing consumes more than 30 percent of a family’s budget, it lessens the amount available for other basic needs, such as medical care, food, and clothing. This has serious impacts on families and especially children.

Affordable Rental Housing Stocks. At the same time that the need for an available stock of affordable rental unit is growing, federal programs for construction and rehabilitation of such units and housing assistance are increasingly unable to meet the need. The federal Low Income Housing Tax Credit has served as the primary vehicle for developing affordable housing. This

successful program has added as many as 90,000 affordable rental units to the housing stock each year. However, these new units have not been sufficient to offset the loss of subsidized units as public housing is demolished or owners have opted-out of participation in the Section 8 program.

In the ten years between 1993 and 2003, 2 million affordable housing units were lost. The U.S. Department of Housing and Urban Development estimated that by 2005 there were only 77 units affordable and available for every 100 very low-income renters.

Lack of subsidized units isn't the only problem our nation faces. According to a recent rental housing survey, "America's Rental Housing: Homes for a Diverse Nation", by the Joint Center for Housing Studies at Harvard University, two-thirds of all lower-income families live in privately-owned unsubsidized rental units. Building affordable multi-family housing is more difficult and expensive than building market rate housing due to high construction costs, governmental regulations, "Not In My Backyard" (NIMBY) attitudes, and local zoning restraints.

Declining Housing Assistance. In 2006, housing assistance as a percentage of non-defense discretionary spending fell to 7.7 percent from 10.2 percent in 1998. The Harvard MIT Joint Center reports that federal assistance to very low-income households reaches only about one-quarter of eligible renters.

Clearly, federal support of housing is a critical element in meeting the goals of decent housing and homeownership opportunities for all. However, these goals will only be achieved if there is mutual support and cooperation from all concerned groups, including state and local governments, private enterprises, charitable organizations, REALTORS<sup>®</sup>, builders and those involved in mortgage finance.

### **Success of Trust Funds**

Hundreds of housing trust funds operate in the U.S., spending many millions of dollars on housing opportunities each year. These trusts have traditionally been established by state or local governments that receive ongoing public revenues dedicated to affordable housing initiatives, including new construction, preservation of existing housing, emergency repairs, homeless shelters, housing-related services, and multifamily building for nonprofit organizations.

Housing trust funds provide a stable and steady source of funding to meet the needs and provisions for affordable housing. Trust funds enable jurisdictions to design housing programs and provide housing developers with a dependable source of funding to support projects.

States and local governments have found the need for affordable housing growing, just as resources are limited. Many of these governments have created trust funds using many different sources of revenue, including taxes and fees in part due to the limited resources and perceived lack of commitment on the federal level. Others have become even more creative and used forfeited monies, interest on accounts, and more. Most trust funds include some matching component, whereby trust money is leveraged with other resources.

Trust fund monies are used for a variety of purposes, often tailored to the local community. Construction, rehabilitation and homeownership assistance are the most common. Other uses include capacity building for local organizations, surveys and other acquisition requirements to accept donated land, and funds dedicated to special causes like homelessness or transitional housing.

My home state created the Maryland Affordable Housing Trust (MAHT) in 1992 to promote affordable housing throughout the State of Maryland, funded through interest on title company escrow accounts. MAHT promotes affordable housing opportunities for households earning less than 50% of median income. The program provides awards of up to \$150,000 that can be used as capital funding for rental and homeownership development, financial assistance for supportive services for affordable housing residents, operating expenses for housing developments, and financial assistance for capacity building among non-profit developers. To date MAHT has awarded over \$21.5 million as loans, grants, or other financial assistance.

### **National Affordable Housing Trust Fund**

H.R. 2895 the "National Affordable Housing Trust Fund Act of 2007" was introduced by Rep. Barney Frank (D-MA) and a bipartisan group of 16 members of Congress, including 8 Republicans and 8 Democrats. The legislation would create a National Affordable Housing Trust Fund that would be used to develop, rehabilitate, and preserve affordable housing. Funds could also be used for homeownership assistance including downpayment and closing costs.

The Fund would be administered by HUD, with 60 percent of monies going to cities and counties and the remaining 40 percent to states. The National Association of REALTORS® strongly supports this allocation of funds. Localities are best positioned to determine what their housing needs are. What is appropriate and necessary in one community may not work in another. While some housing programs may be pervasive state-wide, we believe the majority are more locally-focused.

Seventy-five percent of all funds must be used for housing for extremely low income people (those making less than 30 percent of median); the remaining 60 percent can be used for families making up to 80 percent of the median. The National Association of REALTORS® does not argue that housing is a critical need for extremely low income families. However, we would like to point out that there is a range of federal programs currently available to meet the housing needs of very-low-income- and low-income families. These programs include, but are not limited to, federally-assisted housing programs (e.g. HOPE VI, HOME), the Low-Income Housing Tax Credit, and Section 8 voucher program. However, there exists no program that is designed to provide rental housing for working families from 60 percent to 100 percent of median income.

The number of moderate-income families facing critical housing needs is significant and growing. A recent study by Freddie Mac, Century Housing and the National Housing Conference found a dramatic increase in critical housing needs. In the last five years, the number of working U.S. families parting with more than half their income to put a roof over their heads jumped 76 percent -- from 2.4 million in 1997 to 4.2 million in 2003. This number

includes both renters and homeowners. We are pleased that the trust fund allocates 25 percent of the funds for families making up to 80 percent of median income.

Eligible grantees include nonprofit, for-profits, agencies, and faith-based organizations. Recipients of the Funds must provide matching monies. The Trust Fund would be independent from federal appropriations, as it would take monies from profits generated by the GSEs and from income derived from the FHA HECM program.

The National Association of REALTORS® believes that the approach taken in HR 2895 is reasonable, fair, and necessary to meet the needs of American families.

### **What REALTORS® Are Doing**

REALTORS® are active participants in their commitment to revitalizing local communities. In 2002, The National Association of REALTORS® created its own Housing Opportunity Program. The mission of NAR's Housing Opportunity Program is to help REALTORS® nationwide become leaders in identifying, developing, advocating for, and promoting programs, products, and resources that expand housing availability and ensure an adequate supply of housing opportunities for all in both the rental and homeownership sectors of the market. NAR provides local and state Associations and REALTORS® with the programs, tools, and events needed to create housing opportunities in their communities. The program also provides grants to state and local Associations to help them establish their own local housing opportunity programs.

In addition to NAR's efforts, REALTOR® Associations nationwide have developed affordable housing funds and other programs to help low and moderate income families with their housing needs.

For example, the California Association of REALTORS® (CAR) began a Housing Affordability Fund in 2002. California's housing crisis is staggering: 250,000 households are added each year, but only 150,000 units are produced, resulting in a housing production gap of 100,000 units per year; a housing affordability gap of 24 percent, (meaning that only 24 percent, of Californians can afford a median priced home in the state); and a homeownership gap, whereby only 58 percent, of Californians own a home, compared to the national average of 68 percent.

In five short years, the California Association of REALTORS® fund has provided over \$1.5 million in funding and leveraged more than \$74 million of additional investment in affordable housing programs statewide. Programs supported by the CAR fund provide homeownership counseling, downpayment and closing cost assistance, workforce housing development, partnerships with Habitat for Humanity, and affordable housing design efforts.

Several other state REALTOR® associations, including New Hampshire and Utah, have developed affordable housing funds using the interest generated from escrow accounts held during a home sales transaction. These REALTOR® Association funds provide a mechanism for homebuyers and REALTORS® to work together to put their escrowed funds into an interest-bearing account. The interest generated is then provided as grants to non-profit housing groups in their state.

In 1996, the Illinois Association of REALTORS® organized a foundation, called the “Partnership for HomeOwnership, Inc”, to help low-income rural families achieve the dream of homeownership. The foundation administers mortgage programs, provides pre-purchase home counseling, and consults with cities and localities to assist in the development of similar programs. The Partnership also developed a website called [www.credit-power.org](http://www.credit-power.org) which teaches high school students about the importance of good credit. The website is available in both English and Spanish.

In 2005, the Illinois foundation received the HOPE (Home Ownership Participation for Everyone) award for their work in Quincy, Illinois which provided very low-interest loans to first time low-income homebuyers in a largely minority community. The program provided credit counseling, homebuyer education and downpayment assistance to the homebuyers, and now serves as a model for employer-assisted housing programs.

### **Conclusion**

The NATIONAL ASSOCIATION OF REALTORS® recognizes that access to safe, decent and affordable housing of all types must be one of our nation’s highest priorities. NAR strongly supports the goal of the National Housing Trust Fund, and looks forward to working with you on this important legislation.