

House Committee on Housing and Urban Development February 14, 1991 -
Page

These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks

report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

HOUSE COMMITTEE ON HOUSING AND URBAN DEVELOPMENT

February 14, 1991Hearing Room D 8:00 a.m. Tape 27 - 28

MEMBERS PRESENT:Rep. Bob Repine, Chair Rep. Judy Bauman, Vice-Chair
Rep. Marie Bell Rep. Rod Johnson Rep. Dave McTeague Rep. Gail Shibley
Rep. Ron Sunseri

STAFF PRESENT: Janet McComb, Committee Administrator Kimberly
Burt, Committee Assistant

MEASURES CONSIDERED: LC 1422

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TAPE 27, SIDE A

005 CHAIR REPINE: Calls the hearing to order. (8:00 a.m.)

Roll Call: Representatives Bell, McTeague, Shibley, Sunseri & Repine answer "present".

INFORMATIONAL HEARING ON THE NATIONAL AFFORDABLE HOUSING ACT
Witnesses:Dick Brink, Manager, Portland Office, United States Department
of Housing and Urban Development, (HUD)

030 DICK BRINCK, MANAGER, PORTLAND OFFICE, UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT, (HUD): I sent a packet to you covering
HUD, giving a little of the flavor of what the federal dollars for
housing have meant to Oregon over the past years, (EXHIBIT A).

REP. BAUMAN arrives. (8:07 a.m.)

BRINCK: Summarizes written testimony, see Exhibit A.

090 REP. MCTEAGUE: This is an insurance guaranteed program?

BRINCK: Yes.

REP. MCTEAGUE: How much does this cost the federal government?

BRINCK: Up until the past two years it has been mostly self sufficient;
in recent years, primarily due to losses in the oil states, and because

of losses in the multi-family funds, we have seen some losses.

122 REP. MCTEAGUE: This shouldn't cost the government.

BRINCK: It could be like an FDIC which is a self supporting insurance program; if we don't take remedial actions to address the drain, that is a potential liability.

135 REP. MCTEAGUE: What gives FHA an advantage over the private sector?

BRINCK: The FHA insurance is a government bond even though we anticipate using our reserves to pay any losses; this makes a mortgage made in Ontario Oregon, for example, a marketable commodity in the New York money market which doesn't care what the condition of the house is or the financial soundness of the buyer.

160 REP. SUNSERI: Purchasers can get in for 3% down, plus closing costs.

BRINCK: It means that a first time home buyer is able to compete and get interest rates on their mortgages equal or even more favorable than a person who is paying 30% down on a \$300,000 or \$500,000 house.

180 REP. BAUMAN: If you can insure that the payments will be made the down payment can be negotiated down to 0?

BRINCK: That is the principal, but there is a down payment.

The 3% down payment isn't enough to protect the equity; it is an entrance requirement.

215 REP. BAUMAN: Why would the underwriter value the 3% down payment?

BRINCK: We have an efficient lending, selling and building industry; the down payment is an impediment and it does require thought, calculation and priority setting on the part of the home buyer before they take on a very large debt.

REP. SUNSERI: The impediment to the purchase of a home isn't the 3%, but it is the closing costs that go along with it.

265 REP. BAUMAN: Have there been thoughts on negotiating a payroll deduction to insure the payment is made?

BRINCK: Not between FHA and the lender, but many lenders set up processes to take the money directly from savings or checking.

One of the "buzz words" today is employer assisted housing; employers can step in and guarantee to FHA that payments will be made.

There is a need for home buyers to have good budgeting skills, home maintenance skills and many people, after many years of rental, think in terms of rent payments and landlords and there is a mind frame that needs to be changed and there is a budgeting requirement that relates to employment.

325 BRINCK: In Exhibit A there is a listing, by county, of FHA insurance through our direct endorsement program; that is where FHA only becomes involved after the loan is closed and we insure it.

340 REP. SHIBLEY: FHA nationally allowed each regional office to set the ceiling on FHA loans?

BRINCK: There is a statute that sets the base limit then on top you have high cost areas based on the needs and the price of housing.

REP. SHIBLEY: Where is the cost above the base limit?

BRINCK: The base limit is \$76,000; the entire State of Oregon is above the base limit.

383 REP. SHIBLEY: For the Portland area the FHA loan limit is \$96,400; and do you know when it went to that?

BRINCK: Portland is 96.4; we used the PMSA area of Multnomah, Washington, Clackamas and Yamhill Counties to get the higher limit originally; we needed Multnomah County up higher and had to use the four county area to get the limits into the \$90,000's.

Then we separated off Washington County and Clackamas County to reflect their individual new construction to get up above the \$100,000 mark; Multnomah County on its own doesn't even support \$86,000.

425 REP. SHIBLEY: Doesn't that vary by area of the county?

BRINCK: Yes, but the smallest area we can go to is a county.

438 REP. SHIBLEY: What is very low income?

BRINCK: 50% of the median income in an area; it is by county.

REP. SHIBLEY: What is the median income?

BRINCK: It varies by county; there is an accumulation of the very low income people, by county, in the State of Oregon.

TAPE 28, SIDE A

036 BRINCK: These are HUD generated numbers, these aren't counts, but calculations out of our economic marketing analysis division.

Based on income, low numbers have increased in the past years; the most significant figure is the unmet need, see Exhibit A.

060 REP. JOHNSON: Have you done studies or projections on the amount of unmet needs resulting from the problems in the timber industry?

BRINCK: No; we are following that more closely with the FHA side as we have a lot of FHA mortgage insurance and we know that the single greatest factor on claims are economic factors.

REP. JOHNSON: Will there be any different treatment for the loans in the timber areas?

BRINCK: There is a program called the "Mortgage Assignment Program" where if the lenders have done a reasonable job servicing the loan and still come to a point of foreclosure, the FHA can step in and payoff the mortgage lender then service the loan ourselves.

That is an existing program; it is a maximum of three years and it only

can be used where there is hope.

101 REP. JOHNSON: What constitutes hope and what can we do to encourage you to extend that program to these timber dependent communities?

BRINCK: There is a declaration of an economically impacted area that deals with certain percentages of unemployment, identifying significant things that have happened.

Job future in the area provides for hope; we are looking for an indication that one or more members of the household will have employment and be able to resume payments on their home within a three year period of time.

125 REP. JOHNSON: Can you explain how your distribution is set up?

BRINCK: Under the block grant program you become an entitlement based on population; communities of 50,000 and larger or counties of 200,000 and larger become entitled to a portion of the federal block grant program.

All other monies come under the State of Oregon and the Department of Housing and Urban Development allocates it based on population, poverty, need, age of housing, etcetera.

The housing element is expanding and has been used for rehabilitation.

155 REP. JOHNSON: So rural areas have to apply through the state?

BRINCK: Yes and the state sets up application rules.

REP. BELL: Would a program at a community college going into areas and providing training show hope?

BRINCK: Assuming it is a jobs program with training and there is a job at the end of it, there is hope.

205 REP. BELL: I've heard that Oregon doesn't do as good at using federal funds as they do in Washington.

BRINCK: The State of Oregon was one of the first states to use the Housing Finance Agency as an instrument for expanding housing opportunities.

In recent years we have had a greater volume of activities and creativity out of both Washington and Idaho for the use of our FHA multi-family programs then we have in the State of Oregon.

Washington does have a modest trust fund, but they have been more aggressive in their use of tax credits and some other programs for the creation of low income family housing.

Our housing agency needs to be creative and aggressive and our legislature needs to provide the direction and remove the limitation that exist and permit the opportunities that the State Housing Agency identifies to be creative.

250 REP. BELL: What is your role in that process?

BRINCK: There is more flexibility in our FHA multi-family programs than

in single family programs but we have commitments to work with non-profits and others working to create or expand housing.

290 REP. BELL: What are the possibilities of combining funds working toward family housing with co-op child care availability?

BRINCK: With our low rent program HUD has put forth some child care programs; our intentions are to coordinate various federal programs involving the residents of low income housing, the resources of HHS and the resources of HUD to provide such things as child care.

In the self sufficiency program we try to link child care, job training and housing as a single unit, the idea being "in, up and out" to break the cycle of poverty.

340 CHAIR REPINE: How many lending institutes make the "glimmer of hope" program available to their mortgage holders and are there technical flaws with the use of that?

BRINCK: Every FHA lender, prior to their notice of intent to foreclose, must send notification of our program to the mortgagor.

405 CHAIR REPINE: When you look at management skills or budgeting skills how far do you go?

BRINCK: They come to us with a proposal, we don't guide or counsel; they give us their situation and tell us what they are doing with their income.

444 REP. BAUMAN: This is along the lines of what we need for the "employer assisted" situation; we need ways to get guarantees on both sides so that we aren't talking about "hope".

REP. BELL leaves. (8:55 a.m.)

TAPE 27, SIDE B

035 REP. BAUMAN: We need to be pro-active and I would think that you are in an ideal position to precipitate; gives examples of solutions.

BRINCK: If a community college would give certificates that would help.

One problem is that FHA mortgageholders are scattered and many don't even know our program exists.

075 CHAIR REPINE: What is the relationship that HUD has with other housing programs or agencies?

BRINCK: We have a formal dialogue with homeless providers who qualify with our agency; that is the only notification outside of our official notice to the public.

CHAIR REPINE: What agencies do you provide information to?

BRINCK: 504 qualifying non-profits who have experience in providing shelter to homeless.

The agreement isn't for permanent housing, but transitional.

REP. BELL returns. (9:08 a.m.)

110 CHAIR REPINE: Are groups such as Self Help notified?

BRINCK: They have leased property from us.

CHAIR REPINE: What do they need to do to buy?

BRINCK: The lease is \$1 per year and the purchase is negotiated off the market price.

CHAIR REPINE: What can we do to make these purchases more attractive?

BRINCK: Our intention is to sell these at market value, but we will always give priority to public entities and qualified non-profits and then we do have a small percentage that can be leased out.

We require that the non-profits offer services to the recipients, pay taxes, supply insurance, water, heat, lights and maintenance.

155 CHAIR REPINE: If the Oregon Housing Agency gets dollars, how do we get them to step up and get them to buy those units?

BRINCK: Our houses are a resource, as are Resolution Trust Corporation houses and VA houses; the problems I've had is operations; there needs to be an authority.

CHAIR REPINE: What are the mechanics that need to be in place to make this stock of homes available on a more aggressive basis?

BRINCK: I think the question is having the resources to take it, operate it and the priority in using those resources.

There are requirements in the new housing act called "Comprehensive Housing Affordability Strategy, (CHAS), which has the potential of being an extremely valuable tool in identifying resources, the priorities and the impediments.

190 REP. SHIBLEY: Does HUD have interest in exploring opportunities to work with other players in addition to the financial institutions?

BRINCK: HUD has taken a major role in recent agreements with the City of Portland that tie in training, down payment assistance and mortgage lending; we are actively interested.

There are experiments of similar types happening around the country, but there aren't any good models that we've seen.

260 BRINCK: In response to Rep. McTeague; our funds are part of a large budget that includes NASA, the Veterans Affairs and EPA.

The future of a home program is dependent upon the congressional legislators.

284 CHAIR REPINE: Recesses hearing. (9:20 a.m.)

290 CHAIR REPINE: Calls the hearing back to order. (9:25 a.m.)

Rep. Sunseri and Johnson not present.

292 BRINCK: The National Affordable Housing Act of 1990 was a major

change, see Exhibit A.

The Housing Act of 1974 required that communities that participated in the block grant program execute a housing assistance plan that identified the numbers of people that needed to be served and the resources that would meet those needs.

Over the years that program has become more of a procedure rather than a strategy.

CHAS has the potential of being the vehicle to identify needs, resources and priorities within a given area; in the long run this will be the driving force of the housing programs funded by the federal government.

In the short run this is the driving force of the programs created by this act, including the HOME program, the HOPE program and the substitute for the 202 program.

REP. BAUMAN: Do we have CHAS yet?

350 BRINCK: No; we are in the process of development.

On February 4, 1991 we put out draft regulations; there is a provision for a less than comprehensive strategy in year one, with a complete document by year two.

REP. SUNSERI returns from break. (9:33 a.m.)

400 REP. MCTEAGUE: The communities that get direct entitlement don't have to produce this plan?

BRINCK: No, if they don't produce this plan, they don't get the direct entitlement.

REP. MCTEAGUE: If they don't get the direct entitlement the state has to produce the plan?

BRINCK: No, if they don't produce this plan they don't get direct entitlement and their monies will go to the state to be allocated back to communities within the state.

415 BRINCK: This year we are trying to make sure Oregon is qualified for the 202 program or its replacement.

This is the program that has been used in Oregon to provide housing for the chronically mentally ill and other special needs groups.

440 REP. BELL: The draft regulations, are they the model that the state should use?

BRINCK: Yes; it is published in the federal register and I would assume that the State Housing Counsel would have that.

REP. BAUMAN leaves. (9:35 a.m.)

455 REP. BELL: Those who pursue housing and have drafts ready will have first priorities on the money?

BRINCK: I would doubt that many parts of the state that aren't entitled would prepare any document of this type; it isn't a requirement.

For the state to get their money they have to have this document, they in turn will allocate the monies out, consistent with the document they've prepared, to all the areas in the state not receiving an entitlement.

TAPE 28, SIDE B

BRINCK: The state's creation of this plan will require community input; it must meet the federal regulations.

065 REP. MCTEAGUE: Is your agency going to assist with these planning costs or are paid for by the state and the localities?

BRINCK: Those costs are paid for by the state and the localities.

REP. MCTEAGUE: I would suspect that we already have a state wide housing strategy developed by the Housing Council.

080 REP. MCTEAGUE: When are we going to be expected to have this in place?

BRINCK: The money for the fiscal year of 1991 can't be released until there is an approved CHAS in place.

REP. JOHNSON returns. (9:42 a.m.)

BRINCK: The 202 program funds haven't been released as the rules for competing for the money haven't been issued yet.

We typically obligate those monies in the last week of September.

110 REP. MCTEAGUE: What is the target date to finalize rules?

BRINCK: I would assume that would be somewhere in June.

This is a significant transition from a loan program that started in 1958 to a grant program of 1991; there is a strategy that reflects the frustration of Congress not knowing how well they are meeting their objectives and wanting local input.

REP. MCTEAGUE: What would your projection be for when Oregon may get their funds?

BRINCK: We will go through the competitive process this summer.

148 REP. MCTEAGUE: Is 202 unfunded now?

BRINCK: No, this is annual, we are hoping to start construction this year on plans drawn in 1990.

This can be a good document for a body such as yours to use two years from now to look at the CHAS that has been in place.

198 BRINCK: With the recent budget that went forward, Congress didn't fund the HOME program, they authorized it, but didn't fund it.

HUD has proposed to Congress that we redirect monies from existing programs to these programs.

225 REP. MCTEAGUE: Who in the Oregon congressional delegation is working most closely with you on housing issues that affect Oregonians?

BRINCK: Congressman Aucoin is probably the most cognizant of housing issues; Senator Hatfield is very conscious of the elderly housing issues; these are issues that all of them are aware of.

250 REP. SHIBLEY: Exhibit A talks about a capacity study; can you comment on how you see the capacity within HUD presently, particularly in light of the 78% budget cut that HUD has experienced?

BRINCK: Congress was looking at whether or not HUD could do this; there is a concern as to our risk on multi-family, if we are doing quality underwriting to avoid significant losses, there is an interest in whether or not we will be in a position to implement "HOME" and "HOPE".

Our office is staffed to deal with multi-family; we have given strong priority, recognizing the high interest of FHA, with the change in attitudes of other financial institutions, for multi-family financing.

We can handle the multi-family insurance that we anticipate in our office; the HOME program, the evaluation of this and the working with the communities on implementation is a major change on our part and I call this a transition time.

290 REP. SHIBLEY: I heard that the State of Oregon didn't appropriate any money to enforce the amendments of the Fair Housing Act from 1988 dealing with family discrimination and was in danger of losing federal housing funds as a result.

BRINCK: The funds aren't specifically housing funds, they are HUD funds.

One part of HUD is Fair Housing and Equal Opportunity and we are the enforcement arm for fair housing as it relates to familial status as well as accessibility for handicapped or disabled and we contract with the State of Oregon to do most of the investigations and conciliation work.

If state laws mirror federal laws we are able to contract with state agencies; if they don't, we have to do this all ourselves.

330 REP. MCTEAGUE: How much applicability would these ideas potentially have to Oregon's situation; is this more pertinent to public housing projects elsewhere?

BRINCK: Anyone who deals with public housing in their area will acknowledge that in the Northwest our housing authorities run quality projects.

We work with local housing authorities to work housing authority residents into home ownership capacity and we are using some scattered sites owned by public housing authorities to provide those opportunities.

It is unlikely that you will see a major complex taken over for ownership by the residents because of the high turn over rate, although you may see a lot of resident management.

WORK SESSION ON LC 1422 (EXHIBIT B)

368 MOTION: REP. JOHNSON moves LC 1422 be a committee sponsored bill.

CHAIR REPINE: The bill is sponsored by the Hood River Growers and Shippers, Jackson County Fruit Growers and numerous other farm group organizations and majority leader Walden has requested this committee to introduce the bill.

381 VOTE: Hearing no objections the motion carries.

385 CHAIR REPINE: We are adjourned. (10:01 a.m.)

Submitted by: Reviewed by:

Kimberly Burt Janet McComb Assistant Administrator

EXHIBIT SUMMARY:

A - Written testimony and informative material submitted by BRINCK, pp 36 B - LC 1422 submitted by staff, pp 1 C - Informative material submitted for the record by NEBEL, pp 27