

**Opening Statement of the Honorable Bob Ney  
Chairman, Subcommittee on Housing and Community Opportunity**

**Hearing on the Department of Housing and Urban Development's FY 2006  
Budget Proposal**

**Wednesday, March 2, 2005**

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I want to welcome the Secretary of Housing and Urban Development before our committee, and thank you, Chairman Oxley, for holding this important hearing to examine both the programs and the budgets specific to the Department of Housing and Urban Development. Those of us on the Committee are acutely aware of the many difficult management and budget challenges inherent to the Department. I would like to take this opportunity to pledge to work with you to address these many challenges and to continue to create new opportunities for families and individuals seeking to find affordable housing and to realize the dream of homeownership.

Last Congress, this committee assisted in the successful enactment of 15 housing related bills. Through bipartisan cooperation and coordination, this Committee and the Administration were able to enact legislation that today is making existing housing programs work better.

I am pleased that the President's proposed budget continues the President's commitment to increasing homeownership and to fostering an "ownership society." Homeownership is the key to financial independence, helps build stronger communities, and offers children a stable and positive environment in which to grow and develop.

However, while far more American households now share in the benefits of homeownership, minority households continue to share at substantially lower rates. The homeownership rate among Caucasian households is about 74.2 percent while the percent for minority households is substantially less.

Lagging minority homeownership rates are a serious concern. Minority households are expected to account for two-thirds of household growth over the coming decade.

Improving the ability of such households to make the transition to homeownership will be an important test of the nation's capacity to create economic opportunity for minorities and immigrants and to build strong, stable communities.

While homeownership is a desired goal for many Americans, there are many in today's society that are not yet ready to own their own home. It is, therefore, prudent that we continue to pursue alternatives to make sure that affordable rental

housing is available. We must also make sure that assistance is there for those that truly need it.

As you know, the section 8 housing assistance program is the major vehicle for providing rental assistance to low-income families and individuals. Today the section 8 program has become the largest component of the Department of Housing and Urban Development's budget. The rising cost of providing rental assistance is due, in varying degrees, to expansion in the program, the cost of renewing expiring long-term contracts, and rising costs in housing markets across the country. The day of reckoning is coming fast; if we do not address the increasing costs of this program it will consume the HUD budget. It is already affecting the funding of other programs within HUD.

Last Congress, we held six hearings on the Administration's proposal to block grant the section 8 voucher program to the states. In the coming weeks, I will be holding the first roundtable discussion that will focus on the future of the Housing Choice Voucher Program. The goal of this roundtable discussion will be to identify the top-level issues regarding the current operation, administration, and funding of the Housing Choice Voucher Program and to craft solutions that will address the effectiveness and efficiency of the government's role in the administration of the program.

While I recognize that there are key questions regarding funding of the Housing Choice Voucher Program, this roundtable discussion will focus strictly on proposals to reform the program to make it a viable alternative in the future. These roundtables will be conducted in an informal setting to facilitate a productive dialogue.

I trust that we can engage in meaningful discussions with my colleagues on the other side of the aisle and the Administration to find a solution to the escalating costs of the section 8 program. Not a day goes by that I don't talk to a constituent or organization concerning the problems inherent to this program, such as long waiting lists, lack of affordable section 8 voucher housing, and various PHA funding concerns. The longer we wait to address the increasing costs of the section 8 program, the greater risk there is to the section 8 program as well as the other programs at HUD that will most surely suffer additional cuts at the behest of section 8.

Mr. Secretary, President Bush's FY06 budget proposal for HUD raises some interesting and serious questions about what role community development should play in helping local and state governments provide safe and affordable housing to its constituents. The President's budget proposes a new \$3.7 billion program within the Department of Commerce called the Strengthening America's Communities program. This new program would consolidate and reduce the funding for HUD's Community Development Block Grant and several other Federal economic and community development programs. I applaud the Administration's stated goal of creating a more targeted and unified program with stronger accountability standards and more flexibility. However, significant concerns have been raised about how this new program will meet the development needs of communities,

especially in distressed areas. This proposal raises important questions and I look forward to working with Secretary Jackson and this Administration to meet the development needs of our communities.

Before I close, I want to turn my attention to the Government Sponsored Enterprises (GSEs) and their housing affordability goals. Clearly this is an issue that will have a profound impact on America's housing policy.

I represent rural Ohio where the average loan purchased by Fannie Mae and Freddie Mac is around \$100,000. My focus is to make sure these companies fulfill their congressional mandate to serve as a liquidity source in all markets, at all times. This means they serve not only the lower income families in the inner cities and other rural or underdeveloped areas, but also for suburban and middle income America. Over the past year, I have been a strong voice in forcing Fannie Mae and Freddie Mac to stay actively engaged as secondary market participants in the manufactured housing industry.

I intend to pay careful attention to HUD's rule that recently went into affect that raises the low-mod goal from 50 percent up to 57 percent by 2008. I want these companies to serve more families, but I also worry about a rule that pushes the companies to the point of forcing a potential credit allocation to the low end of the market and negatively affecting middle income and middle class America.

I believe that strengthening the regulation of the GSEs will enable them to continue their mission of expanding homeownership opportunities and do so in a manner that ensures their safe and sound operations. I look forward to working with the leadership of this committee as we move toward legislation.

In closing, let me say that the federal government, consumers, and the housing industry are linked by our mutual goal of creating housing opportunities for more Americans.

We have much to achieve together for the American people, and our best hope for success is to work in close concert with each other – guided by the same high standards and principles and motivated by the same goals.

I look forward to working together with my ranking member Maxine Waters as we continue to open up our communities to new opportunities for growth and prosperity. Thank you.