

Opening Statement

Chairman Michael G. Oxley

Committee on Financial Services

Oversight hearing on the Department of Housing and Urban Development

Thursday, May 20, 2004

Today, the Financial Services Committee welcomes the newly confirmed Secretary of the Housing and Urban Development, Alphonso Jackson on the occasion of his first time testifying as the HUD Secretary. Secretary Jackson, congratulations on your confirmation. We look forward to working with you to address America's housing needs and to improve our nation's communities.

The Financial Services Committee has jurisdiction over the budget for the Department of the Housing and Urban Development. The Department administers programs such as the Community Development Block Grants, HOME, HOPE VI, public housing, section 8 voucher programs, the Federal Housing Administration, and the housing goals for both Fannie and Freddie.

Over the past few years, this Committee and the Administration have continued to seek bipartisan ways to make existing housing programs work better. In 2003, we enacted the American Dream Downpayment Act that would benefit 45,000 new homeowners annually. The Committee enacted legislation to increase FHA multifamily loan limits, which addresses the acute issue of affordable rental housing in high-cost areas.

At a time when our homeownership rate is the highest ever at 68 percent, President Bush has inspired us to make homeownership happen for even more Americans. We must address the lagging minority homeownership rates, since less than 50 percent of African Americans and Hispanic are homeowners.

The Zero Downpayment legislation would allow zero downpayment loans and financing of the settlement costs for an estimated 150,000 first time homebuyers each year. I want to thank Representatives Pat Tiberi and David Scott for introducing the legislation.

While homeownership policy is the best avenue for strengthening families and improving communities, part of American society is not yet ready to pursue homeownership. There are several ways to create new rental housing opportunities. However, any new approach is hampered by the potential hemorrhaging of the section 8 rental housing subsidy program. Unless we take dramatic steps to reform the section 8 voucher program, it could eventually consume the entire HUD budget. Without meaningful reform, the good work achieved by other housing programs could be compromised.

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Recently, articles have appeared in local newspapers stating that the Section 8 housing voucher program in some communities is running out of money. I am concerned that vouchers are being revoked and that tenants may have to leave their homes. Equally troubling is the impact on conventional lenders' and ratings agencies' decisions to finance assisted housing. Members on both sides of the aisle are anxious to hear from you about what steps are being taken to address this situation.

This Committee has been following GSE regulatory reform efforts closely. Thanks to Subcommittee Chairman Baker's hard work, over 100 witnesses have testified on these issues, and several policy goals have been achieved. The Senate Banking Committee approved a bill that was not supported by the Administration or the GSEs. We will be interested to know if the Administration's perspective on GSE reform evolved since the Senate activity. It seems the Administration does not want a viable legislative product that can move through the House and Senate, but would rather attempt to enforce discipline on the GSEs through regulation. I am very interested in HUD's efforts to improve its role in the oversight of the GSEs.

HUD has proposed several new affordable housing targets for the GSEs and has eliminated the ability for the GSEs to receive additional credits for certain projects. These new proposals significantly raise the levels of affordable housing transactions the GSEs must meet. The stated purpose of these changes is to encourage Fannie Mae and Freddie Mac to be leaders in the affordable housing field. I look forward to your analysis of why these changes are needed and how these goals will be achieved.

HUD is in the process of reviewing unusual transactions by the GSEs to meet the previous affordable housing goals. This Committee is also looking at those transactions and examining whether they were appropriate. I hope that we can work together to ensure that the affordable housing goals are properly met.

I also wanted to bring to your attention an issue raised at the Housing Subcommittee field hearing in Columbus, Ohio that was chaired by Subcommittee Chairman Bob Ney. While the hearing was primarily focused on affordable housing issues and the section 8 program, there was a call from a majority of the witnesses about the Community Development Block Grant Program. Many believe the allocation formula is outdated and doesn't account for the growth of cities. I understand that the Department has conducted a study of the CDBG formula. I am hopeful that you will discuss whether the formula is in need of a change either today or in writing at a later date.

I would be remiss not to mention reform of the Real Estate Settlement Procedures Act. I sent a letter in December to your predecessor regarding the Department's proposed rule, which was later withdrawn. We all support the goal of simplifying the home-buying process and making it less expensive for consumers. I am hopeful that you will address the Department's future intent regarding the development of a new proposed rule.

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Just before I conclude, I applaud the Administration for continuing to work on its goal to end homelessness. Representatives Renzi and Matheson have introduced the Samaritan Initiative Act. This initiative combines HUD's permanent housing funding with assistance from the Departments of Health and Human Services and Veterans Affairs for services like substance abuse treatment and primary care.

Mr. Secretary, thank you for being here today. Congratulations on your confirmation and we look forward to your testimony.

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