Minority Views

The following represent the views of the Democratic Members of the Committee on the following issues consistent with the Concurrent Resolution on the Budget for Fiscal Year 2016.

February 12, 2015

Despite Republican rhetoric about the demise of the American economy under the Obama Administration, recent job data showing 257,000 jobs created in January 2015 and over one million jobs created in the past three months, clearly demonstrates that our economy is in full recovery. Most economists expect this upward trend to continue through 2015 and for the next several years. There is no denying that the policies put in place by the Obama Administration and a Democratic-controlled House and Senate stopped our country from experiencing a depression and, importantly, helped lay the foundation for the thriving economy that many Americans are benefitting from today. While we should be proud of the legislative accomplishments on behalf of the American people, such as the American Recovery and Reinvestment Act, the Patient Protection and Affordable Care Act, and the Dodd Frank Wall Street Reform and Consumer Protection Act, we cannot pretend that all is well for all Americans as long as some Americans, particularly those with low- and moderate-incomes and minorities, are still experiencing the aftermath of the Great Recession. Longstanding and systemic inequities continue to distort progress and opportunity for millions of Americans in this country. As such, we must continue to look for ways to provide equal opportunities for all Americans.

The Republican views and estimates (Majority's Views) for fiscal year (FY) 2016 only partly diagnoses the problems that face the country, but more importantly, fundamentally misunderstands how we can begin to solve them. Income inequality, the racial wealth gap, slow wage growth, unemployment, and a secure social safety net cannot be achieved only by free market practices, or getting government out of the way, or privatization. Answers to these complex problems require thoughtful, proven, and pragmatic policy strategies—not slogans or simple ideology.

Despite significant gains, the country is still suffering from the sweeping harm caused by the Great Recession. As is historically the case, loss is not spread evenly during economic decline and recovery is not shared equally when the economy rebounds. The Recession wiped out two decades of growth in family wealth and income. However, this overall impact masks deep differences within the experiences of the American population. While some may have fully recovered their wealth due to a rising stock market and property values, African-American, Latino-Americans, Native American and other historically disadvantaged populations (who have a much larger proportion of their wealth in homeownership) are still significantly indebted– in many cases not even close to recouping their enormous losses.

According to a recent series in *the Washington Post*, the average net value of African-American homes, which is a house's worth minus loans, is $31,118 compared to $126,064 for white Americans. Traditionally, white and black homeowners have owned houses with mortgages that are underwater at about the same rate, but the landscape has changed dramatically. In 2013, the number of white families with underwater mortgages was 5.45 percent compared to 14.2 percent for African-Americans.

The racial wealth gap is widening. According to the Federal Reserve Bank of St. Louis, the average wealth level for white Americans is $134,000, $91,000 for Asian-Americans, and only $14,000 for Latino-Americans and $11,000 for African-Americans. One in nine white Americans and one in eight Asian-Americans have less than $1,000 in assets. However, for Latino-Americans, that ratio is one in four, and for African-Americans one in every three.

These trends exist along class and education lines as well. The share of net worth of the top third of the American population increased from 45 percent to 67 percent of overall wealth between 1989 and 2013, whereas the bottom two-thirds of the population saw their percentage decrease from 55 percent to 33 percent. Federal Reserve Chair Janet Yellen noted that the median net worth reported by the bottom fifth of households by income was only $6,400 in 2013 and the next fifth of households by income had a median net worth of $27,900.

A rising tide does not lift all boats. The market cannot by itself remedy these uneven and unstable economic disparities. In the areas of housing, consumer protection, income security and community development there is an indispensable and integral role for the federal government, often partnering with non-profits, local governments and the private sector, to take direct aim at the structural disadvantages that persist along income, racial, and ethnic lines in this country. President Obama and Congressional Democrats have attempted to address the economy in a number of ways—from supporting infrastructure and education investments in underserved communities, to advocating for more aggressive assistance to homeowners, to promoting a strong Consumer Financial Protection Bureau that would stop the type of predatory lending that caused the crisis. But we have been stymied every step of the way by a Majority that wants to take us in the wrong direction, advocating the exact same harmful policies that led to the Great Recession.

ECONOMIC BRINKSMANSHIP: DEBT CEILING AND SEQUESTER

Since Republicans took control of the House in 2011, the U.S. economy has struggled to overcome several self-inflicted fiscal crises, including nearly defaulting on the U.S. debt twice, the across-the-board budget cuts known as "sequestration," and a seventeen day shutdown of the federal government. Republican brinksmanship is estimated to have depressed U.S. economic output by a full percentage point of gross domestic product, or nearly $150 billion. At this time last year borrowing costs for the U.S. Department of Treasury (Treasury) were 40 basis points higher than the previous year, which was largely attributed to Republican use of the debt ceiling as a partisan bargaining chip. Because credit for consumers, businesses and municipalities are often tied to the Treasury rate, borrowing costs for just about everyone in the U.S. became more expensive. Similarly, increases in the Treasury rate mean that taxpayers pay more in interest payments going forward. As the country approaches the debt ceiling later this year, Democrats urge Republicans to stop threatening economic catastrophe and authorize the Treasury to finance the obligations Congress has already approved.

Democrats also support the President's efforts to ease the across-the-board cuts referred to as "sequestration" without increasing the deficit. The 2013 sequester cuts led to 770,000 government employees being furloughed, including employees at the U.S. Department of Housing and Urban Development (HUD) and Treasury. In addition, sequestration disproportionately harms the country's most vulnerable populations, as vital government services are significantly curtailed. Because of the 2013 sequester cuts, more than 67,000 families did not receive housing vouchers that should have, and critical public housing capital improvements were put on hold. The President's budget request would reverse many of the more damaging results of the 2013 sequester cuts in a fiscally responsible manner.

SECURITIES AND EXCHANGE COMMISSION (SEC)

For the last five years, Democrats have grown increasingly concerned with Republican efforts to severely constrain the Securities and Exchange Commission's (SEC or the Commission) resources at the very time that the U.S. and global capital markets are growing at an ever accelerating rate. Congress needs to fully fund the SEC at $1.722 billion in FY 2016 so that the Commission can help bolster the strength and stability of our markets, as well as, carry out its role of protecting investors, including Americans saving for retirement. Democrats note that the SEC's budget is paid for entirely by a small fee levied on securities transactions, and will in no way increase the government debt.

The SEC's important responsibilities to oversee the markets are broad and complex and need sufficient funding to be successfully executed. Yet, the SEC-regulated securities markets dwarf Commission resources, where, for example, less than 900 employees are responsible for its examination program. Indeed, the Commission oversees nearly 11,500 investment advisers, over 800 investment company complexes managing over 10,000 mutual funds and Exchange Traded Funds, 4,400 broker-dealers, 450 transfer agents, 18 national securities exchanges, 87 alternative trading systems, 10 registered clearing agencies, the security futures product exchanges, the National Futures Association, the Securities Information Processors, the Public Company Accounting Oversight Board, the Financial Industry Regulatory Authority, the Municipal Securities Rulemaking Board, the Securities Investor Protection Corporation, and the Financial Accounting Standards Board. The SEC also reviews the disclosures and financial statements of approximately 9,000 public companies. Proper oversight cannot be accomplished without adequate SEC resources to ensure fair, orderly, and efficient markets that facilitate capital formation.

Moreover, the SEC has been implementing key provisions of both the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act or Dodd-Frank) and the Jumpstart Our Business Startups Act (JOBS Act)), which together have added 100 new rulemaking responsibilities for the Commission. While Democrats commend the Commission's efforts to finalize more than 70 percent of Dodd-Frank mandatory rulemakings, Democrats expect outstanding Dodd-Frank rules to be adopted this year, including: 1) rules harmonizing the fiduciary standard for investment advisers and broker-dealers when providing investment advice; 2) rules implementing new executive compensation disclosures; and 3) rules completing the regulatory regime for securities-based swaps. As the SEC completes its JOBS Act rulemakings to reduce regulatory requirements on smaller businesses when raising capital, Democrats expect that the Commission will use its ample rulemaking authority to guard investors against fraud.

On a general level, freezing or cutting back the SEC's budget means it will not be able to make additional hires to bolster investigations and enforcement. To protect investors and preserve the integrity of the markets, the SEC must keep pace with market developments. For example, over the last decade the number of registered investment advisers has increased by more than 40 percent, and the assets under management increased more than two-fold, to almost $55 trillion. Yet, the resources available to the SEC to examine investment advisors have severely lagged the number and sophistication of these advisors, which led to staff only being able to examine 10 percent of investment advisers last year.

In addition, the SEC is responsible for prosecuting violations of the securities laws and holding violators accountable in cases involving everything from corporate disclosure violations to complex financial products. SEC enforcement efforts also must focus on emerging market threats involving new trading technologies such as high-frequency trading and algorithmic trading, large volume trading, and systemic insider trading and manipulation schemes. The Committee expects the Commission to bolster its enforcement efforts against trading venues that provide preferential treatment to certain traders and against traders that engage in abusive and manipulative practices at the expense of retail and institutional investors. While the SEC's experience enforcing the rule of law in fiscal year 2014 resulted in $4.16 billion in disgorgement and civil penalties, Democrats urge the Commission to obtain a greater number of admissions of guilt in its enforcement actions to send a strong signal to the market. In addition, the Commission should establish a deliberative process to carefully consider whether waiving automatic sanctions for bad actors appropriately deters wrongful conduct, protects investors, and promotes the integrity of the markets.

To complete these and other tasks central to its mission of protecting investors, promoting capital formation, and ensuring market stability, the SEC must have adequate resources. It is incumbent upon Congress to provide the Commission with sufficient funding. Without it, we risk impeding the Commission's ability to protect the savings of hard-working Americans and to ensure all market participants abide by the rule of law.

CONSUMER FINANCIAL PROTECTION BUREAU

The Consumer Financial Protection Bureau (CFPB or the Bureau) was created by the Dodd-Frank Act to protect consumers from predatory practices and promote fair and transparent markets for the provision of consumer financial products and services. The CFPB Director has a broad mandate that includes consumer protection functions transferred from seven different federal agencies, and the authority to write rules, supervise compliance, and enforce consumer financial protection laws. Since the Bureau was established, it has implemented new rules for mortgage markets and prepaid cards, and also successfully recovered $5.3 billion on behalf of more than fifteen million consumers and servicemembers.

The CFPB is housed within the Federal Reserve System (Federal Reserve) but the Dodd-Frank Act makes clear that the CFPB is to be autonomous of the Federal Reserve in carrying out its mission. As is the case with all other banking regulators, the CFPB's funding is independent of the congressional appropriations process. The CFPB receives its funding from transfers from the Federal Reserve. The CFPB's annual budget authority is capped at a percentage of the operating budget of the Federal Reserve Board—its budget for FY 2016 is estimated to be $631.7 million.

The CFPB's budgetary process allows the Bureau to maintain its political independence. The Bureau is, however, accountable to congressional oversight - as evidenced by the Bureau's testifying before the relevant Committees of jurisdiction 52 times since its inception. The Bureau is also required by statute to submit to Congress a semi-annual report and to make the Director available for a hearing on that report before the House Financial Services Committee and Senate Banking, Housing and Urban Affairs Committee.

In its FY 2016 budget document, CFPB expects to incur $582 million in total new obligations for FY 2015 and $606 million in total new obligations for FY 2016. Given the important mission of the CFPB to protect consumers, including minorities, students, seniors, and servicemembers, and the expertise required to monitor and regulate complex financial markets, the Democrats view these funding levels as adequate.

GOVERNMENT SPONSORED ENTERPRISES

Democrats believe that a robust mortgage market is required for a healthy, growing middle-class, and broad economic growth. The secondary market plays a significant role in ensuring the health of the market, and efforts to reform the market should: maintain the affordable, 30-year fixed-rate mortgage; protect taxpayers by fully paying for an explicit government guarantee; provide stability and liquidity, and prevent disruptions to the U.S. housing market during a transition to a new finance system; support affordable rental housing, and the multi-family market; and ensure that all financial institutions can equally participate in the market. Congress should reject all efforts to reform our housing finance markets that do not meet these key principles.

Democrats are dismayed that the Majority's Views continue to advocate for a completely privatized housing market. Economists, housing advocates, and industry all agree that the PATH Act is a bad bill. As is apparent from the Republican's failure to move the PATH Act in the House last term, a majority of Members of Congress feel the same. The PATH Act failed because it would have ended the affordable, 30-year fixed rate mortgage, making it a product only available to a tiny subset of lower-income FHA borrowers, or to the richest households who obtain jumbo loans. The bill removed key protections for investors but expected them to bear all mortgage credit risk. The PATH Act was also bad for community banks and credit unions because it severely cut their access to the capital markets and undermined the FHA. The bill harmed consumers by repealing existing predatory lending provisions. The bill hurt renters by abolishing the Affordable Housing Trust Fund, eliminating the government sponsored enterprises' (GSE) role in multi-family housing, and making the FHA multi-family program an administrative nightmare. PATH was bad for taxpayers, codifying an implicit guarantee on our housing market that would have required a future bailout. In sum, the PATH Act would have been a disaster for the American housing market, which drives nearly 20 percent of our nation's GDP.

Given House Republican's inability to pass housing finance reform for the last four years, Democrats applaud the sound actions taken by the Federal Housing Finance Agency (FHFA) to responsibly expand access to sustainable homeownership while still protecting the taxpayer. The FHFA's decision to permit the GSEs to guarantee 97 percent of loan-to-value mortgages, provided that the borrower meets additional criteria, enables a broader pool of eligible borrowers to achieve the dream of homeownership.

While the Majority asserts that the GSEs' losses are not reflected in the Administration's budget or in the U.S. government's consolidated financial statement, this is misleading for several reasons and distracts from the need for comprehensive housing finance reform. While the President's Budget does not reflect the GSEs gross liabilities and assets, it does reflect all expected Treasury purchases of senior preferred stock in the GSEs, which represents the exposure to the taxpayers, in addition to projected dividend payments. In fact, the President's Budget projects that the GSEs will not need additional draws from the Treasury, but instead will remain profitable for the next ten years, paying in total $379 billion, which is $191 billion more than they borrowed, something which the Majority Views completely ignores. In addition, the U.S. government's consolidated financial statements include a contingent liability for the projected total costs of Treasury's preferred stock purchase. The Republican's misleading discussion of the GSEs' proper budget treatment is a misguided attempt to distract from the more important need for comprehensive housing finance reform.

FINANCIAL CRIMES ENFORCEMENT NETWORK

The Financial Crimes Enforcement Network (FinCEN) plays an invaluable role in safeguarding the financial system from illicit activity, combating money laundering, and promoting national security by countering the financing of terrorism thorough the dissemination of financial intelligence and the strategic use of financial authorities.

FinCEN's work is a key component of our national security architecture, and Democrats strongly support full funding for this critical agency and the essential functions it performs. Democrats view full funding for FinCEN as increasingly important in light of risks posed by extreme terrorist groups including ISIS, Hezbollah, and Boko Haram. Democrats commend FinCEN for its critical work, including its most recent role in helping to curb the flow of funds to the Islamic State.

The failure to provide full funding risks jeopardizing FinCEN's ability to develop effective and thoughtful systems to reduce the risks of transnational criminal activity. Such an outcome is unacceptable to Democrats.

SUPPORTING SMALL BUSINESS INVESTMENTS

Democrats support increases for the successful State Small Business Credit Initiative, which Congress created in passing the Small Business Jobs Act. The Treasury has already allocated $1.5 billion to support state programs that leverage private capital and support lending to small businesses and manufacturers. Treasury estimates that the first $590 million of federal funds alone supported lending and investments of $4.1 billion to more than 8,500 small businesses, saving or creating more than 95,000 jobs. In fact, the initial $1.5 billion in funding is expected to result in as much as $15 billion in new lending to small businesses in participating states. Small businesses are the backbone of the American economy and Congress should bolster such efforts to increase jobs and promote economic growth by providing a new authorization of $1.5 billion.

FEDERAL HOUSING ADMINISTRATION

Democrats note that the Administration ended the FY 2014 with a capital reserve balance of $4.8 billion. This balance shows great progress, especially considering that the Mutual Mortgage Insurance Fund (Fund) had a negative value of $16.3 billion just two years ago. Currently, the two-year gain in the Fund value is $21 billion. It is important to contextualize these numbers prior to the financial crisis; the FHA maintained a capital ratio of 6.4 percent–well above the required two percent. This cushion enabled the FHA to play its -countercyclical role and respond to the crisis in ways that the private sector could not. Although the Fund has improved drastically, the results were less positive than expected. One reason may be that the FHA was pricing itself out of the market and losing qualified homebuyers that traditionally would have sought an FHA loan.

FHA continues to serve first-time homebuyers and lower income families achieve homeownership. It has taken a number of extraordinary steps – including multiple premium increases, increases in down payment requirements for certain borrowers, eliminating the approval of loan correspondents, raising lender network requirements, re-examining reverse mortgage policies, and establishing the Office of Risk Management—to strengthen the Fund. The performance of the FHA's recent books of business has dramatically improved. The percentage of early pay delinquencies and percentage of loans that were seriously delinquent dropped substantially. These corrective actions, coupled with a stronger credit mix than the FHA has had historically, have resulted in a substantially strengthened Fund. The FHA also continues to build back from losses suffered due to unscrupulous servicing and lending practices. To date, the FHA has received $2.2 billion in settlement funds, all of which has been applied to the Fund.

THE NEED FOR RENTAL AND HOMELESS ASSISTANCE

According to the Department of Housing and Urban Development's (HUD) *Worst Case Housing Needs: 2015 Report to Congress*, in 2013, 7.7 million very low-income, unassisted families either paid more than half their monthly income for rent, or lived in severely substandard housing, or both. Inadequate or unaffordable housing plagues all types of households, including 2.8 million families with children and 1.5 million elderly households. This is a problem that affects every state and nearly every community across our country and was exacerbated as a result of the Great Recession. HUD's report states that, "even with rental assistance, 6 of 10 extremely low-income renters and 3 of 10 very low-income renters do not have access to affordable and available housing units." Furthermore, HUD's January 2014 point-in-time count revealed that there were 578,424 people experiencing homelessness on any given night in this country. The scarcity of affordable and available housing in the United States directly affects our nation's homelessness. Also troubling is a 2012 U.S. Department of Agriculture (USDA) report, which found that 17.7 percent of our nation's population—approximately 8.5 million people—lived in rural poverty. A total of 6.6 percent of Americans experienced deep poverty, which is measured by having cash income below half of one's poverty threshold, with rural children being disproportionately affected by the negative effects of poverty.

We believe it is unconscionable that there are millions of American families for whom safe and decent housing is neither affordable nor available. And while the private sector has played a critical role in funding and preserving affordable rental housing across the country, the free market is not the panacea to cure the homeless and rental housing crises. Experience shows that the private market has not been eager to fill the need for rental units that are affordable, particularly for extremely and very low-income households. In many cases, federal assistance is necessary to attract private players into this gap in affordable housing.

Further, the failure of the federal government to play a role in affordable housing would end up being more costly to taxpayers. A lack of access to housing would put millions more Americans at risk of homelessness, and data show that it is far more expensive for the federal government to allow chronic homelessness to persist, than it is to provide stable housing opportunities.

It is well established that housing serves as a platform for improving a person's quality of life, from the education and health outcomes of children, to seniors aging in place. All Americans are entitled to safe, secure, habitable, and affordable housing. Federal funding for rental and homeless assistance programs must be fully funded.

SECTION 8 HOUSING CHOICE VOUCHER PROGRAM, AND SPECIAL PURPOSE VOUCHERS

The Section 8 Housing Choice Voucher (HCV) Program provides safe, decent, and affordable housing to approximately 2.4 million households nationwide, most of which have extremely-low incomes (ELI). These programs are particularly important for seniors or people with disabilities, who head approximately half of HCV households.

The President's Budget request of $21.1 billion for Housing Choice Vouchers is just 4.1 percent higher than the 2010 funding level, adjusted for inflation. The Majority's Views purports that the growth of this program is unwieldy and unsustainable. The Administration's budget request, however, is a merely a modest increase, particularly when considering two factors. First, since 2010, rent and utility costs in the private markets, where vouchers are used, have risen faster than the general rate of inflation. Second, Congress has appropriated funding for nearly 60,000 new housing vouchers for homeless veterans and approximately 100,000 new "tenant protection" vouchers for communities that have lost units assisted under the public housing or Section 8 project-based rental assistance programs, which has increased the cost of voucher renewals by roughly eight percent. These two circumstances, in fact, suggest that the President's Budget request should be significantly higher than it is.

HUD has managed to control the costs of the HCV program such that the average housing assistance payment (HAP) per voucher rose from $7,553 in 2010 to just $7,673 in 2014, an increase of only 1.6 percent. During the same period, however, rent and utility costs in the private market rose by 10.6 percent. Further, when the GAO studied HCV program costs, it found that increases were driven primarily by rental costs in the private market and congressional decisions to expand the number of vouchers in use.[1]

HUD and GAO have both determined that the HCV program is an effective means of delivering rental assistance to low-income households.[2] For instance, President Bush's FY 2008 budget request stated that, "[t]he Section 8 Tenant-Based Rental Assistance program is the Federal Government's foremost program for assisting low-income families to rent decent, safe, and sanitary housing in the private market...Based on an assessment of the program, this is one of the Department's and the Federal Government's most effective programs. This program has been recognized as a cost-effective means for delivering decent, safe, and sanitary housing to low-income families.[3]"

The squeeze in the HUD budget is driven not by Section 8 costs, but by the Budget Control Act spending caps. These caps will shrink non-defense discretionary spending to its lowest level in more than 50 years, relative to GDP, and are preventing Congress from making badly needed investments to address homelessness and other affordable housing needs, and provide adequate support for health and scientific research, veterans' medical care, education, and other urgent priorities.

The President's Budget also calls for targeted assistance for homeless families, homeless veterans, survivors of domestic and dating violence, and families that need rental assistance to reunite with children in the foster care system. Taken together with the renewals in HCV assistance for FY 2016, and funding in FY 2015, the Administration expects to fully restore all vouchers lost due to sequestration, totaling upwards of 100,000 vouchers.

Democrats fully support the HCV program, and look forward to working with the Administration in supporting and expanding the program.

PROJECT-BASED RENTAL ASSISTANCE

The Project-Based Rental Assistance (PBRA) program enables more than 2 million people in 1.2 million low-income households to afford modest apartments by contracting with private owners to rent some or all of the units in their housing developments to low-income families. Seniors or people with disabilities head two-thirds of PBRA-assisted households—making this a critical resource for these vulnerable populations. In FY 2015, HUD proposed, and Congress enacted, a shift in the annual renewal of funding for PBRA contracts to a calendar year cycle. The President's Budget requests $10.8 billion for contract

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[1] GAO 06-405. Rental Housing Assistance: Policy Decisions and Market Factors Explain Changes in the Costs of the Section 8 Programs. Accessed at: http://www.gao.gov/products/GAO-06-405
[2] GAO 02-76. Federal Housing Assistance: Comparing the Characteristics and Costs of Housing Programs. Accessed at: http://www.gao.gov/products/GAO-02-76
[3] Fiscal Year 2008 Congressional Justification: Tenant-Based Rental Assistance. Accessed at: http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_13767.pdf

renewals, an additional $1 billion above the FY 2015 enacted level, in order to successfully complete the transition to a calendar-year funding cycle.

PUBLIC HOUSING

Public housing has served an important role on the continuum of affordable housing since the 1930s, and represents our nation's critical investment in supporting our most vulnerable populations. The public housing program is integral to our nation's social safety net, providing housing for 1.2 million families or over 2 million people. The overwhelming majority of these families are elderly, persons with disabilities, and families with children. As such, the program serves a population of "hard to house" people who face challenges that often make it impossible for them to rent a unit in the private market. Over the last several years, public housing has been plagued by chronic underfunding, resulting in a backlog of capital needs of over $26 billion. Units continue to be lost to demolition and disposition, and many families are currently experiencing deteriorating living conditions.

The Public Housing Operating Fund and Capital Fund are the two funding streams that make up the difference between what public housing authorities (PHAs) receive in rent from tenants and the costs to operate and maintain public housing. For years, the amount of appropriations provided by Congress for these programs was insufficient to fund PHAs at 100 percent of eligibility. In fact, at a time when HUD has reported that millions of extremely low-income Americans pay more than half of their monthly income on rent, live in severely substandard housing, or both, funding levels for both the public housing and other major rental assistance programs have decreased. While the President's Budget request calls for a modest increase in public housing funding, it is not nearly enough to meet the total annual needs for the program.

This chronic underfunding has forced PHAs to put off modest repairs and defer energy efficiency improvements, which can end up costing more federal dollars in the long run. In turn, low-income households living in public housing units are vulnerable to deteriorating living conditions and possible displacement. Without sufficient funds to renovate and preserve public housing, many developments could deteriorate to the point where they would have to be demolished or sold. From 1995 to 2008, more than 165,000 public housing units were lost and not replaced by new public housing.[4] Tens of thousands of additional units have been removed from the stock since then. This is simply unacceptable, and we must continue to find ways to undergird the program while continuing to protect the public interest in what has long-been a critical, publicly-owned resource.

Providing federal dollars directly to public housing has positive economic impacts that go beyond the preservation of properties. For example, a recent infusion of $4 billion in capital fund dollars as a result of the American Reinvestment and Recovery Act (ARRA) generated

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[4] Fisher, Will. (2011, March 25). Converting Funding of Some Public Housing Developments to Section 8 Subsidies Would Help Preserve Needed Units. Center on Budget and Policy Priorities: Washington, DC. (p. 2). Last accessed 11/8/13 at: http://www.cbpp.org/files/3-25-11hous.pdf

thousands of jobs and created an additional $2.12 of economic activity for every $1.00 spent by the federal government.[5]

Democrats will continue to advocate for funding levels that adequately meet the needs of the public housing program and the ELI tenants who rely on the program's deeply affordable rents. We look forward to engaging in a meaningful dialogue about new strategies to educate the public and fellow members of Congress about the benefits of adequately funding public housing, and the important role it serves in the lives of so many extremely low income Americans.

HOUSING FOR THE ELDERLY AND PERSONS WITH DISABILITIES

The Section 202 Supportive Housing for the Elderly and Section 811 Supportive Housing for Persons with Disabilities programs are vital tools for providing new, and affordable, supportive housing for the elderly and persons with disabilities. Moreover, the Sections 202 and 811 programs are the only HUD programs that currently provide housing exclusively for elderly or disabled households.

As the American population ages, both the creation of new Section 202 units and the preservation of existing units are increasingly important. According to HUD, in 2013, 1.5 million elderly households experienced "worst case housing needs" – those who pay more than one-half of their income for rent, live in severely inadequate conditions, or both.

The President's Budget proposes to increase funding for the Section 202 Demonstration program, which was authorized by the FY 2014 appropriations bill, in order to fund supportive service coordinators who work on-site to help residents obtain critical services, such as benefit counseling.

NATIVE AMERICAN HOUSING

Native Americans living on reservations experience some of the poorest housing conditions in this country. They also face unique barriers to homeownership because of the legal status of tribal lands. Similarly, Native Hawaiians disproportionately experience poor housing conditions and high housing costs.

The Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) authorizes funding for the Indian Housing Block Grant (IHBG), the Indian Housing Loan Guarantee Fund (Section 184), as well as Native Hawaiian programs that mirror the IHBG and Section 184. Native American tribes also receive housing and community development assistance through the Indian Community Development Block Grant (ICDBG) program, which is authorized under the Housing and Community Development Act. These programs are specifically tailored to meet the unique affordable housing needs of Native Americans and Native Hawaiians, and they are a critical source of funding to meet such needs.

[5] Econsult Corporation (2011, March). Public Housing Stimulus Funding: A Report on the Economic Impact of Recovery Act Capital Improvements.

This year, the President's Budget requests increased funding for the IHBG program, as well as Section 184 as compared to FY 2015. The President's Budget also creates a $10 million set aside within ICDBG for housing opportunities for primary and secondary school teachers living on or near a reservation. However, it is important to note that the President's Budget requests a significant reduction in overall ICDBG funds for FY 2016, as compared to FY 2015, despite ever-increasing needs in tribal communities. The President's Budget also includes language that was included in the FY 2015 appropriations bill that would create a set-aside of HUD-VASH funding for Native American Veterans. The HUD-VASH program has proven to be an effective mechanism for addressing veteran homelessness, and we are optimistic that targeting a portion of these funds to Native American veterans will reap similar successes.

In addition to these requests, the President's Budget includes two new requests for Native American housing assistance. First, the President's Budget requests a set-aside within the Tenant-Based Rental Assistance (TBRA) account for special purpose vouchers for families, veterans, and tribal veterans who are experiencing homelessness, or who are victims of domestic or dating violence. Secondly, the President's Budget's request for the Capital Fund includes language that would allow the HUD Secretary to set aside up to $15 million of the amount provided for the Jobs-Plus program, to provide competitive grants to tribes to help residents of NAHASDA-assisted housing find employment. Democrats welcome these new proposals that will effectively increase federal funding to meet the housing needs of Native American tribes.

RURAL HOUSING

There are nearly 60 million Americans that live in rural communities. With a network of nearly 500 field offices located in small town and farming communities, the USDA's Rural Housing Service (RHS) caters to the unique and specific housing needs of these rural communities and families. These field offices, and local RHS staff who are familiar with the communities they serve, are important resources for families in need of affordable rental housing and low-income homeownership opportunities. Since 2009, RHS has helped more than 625,000 rural families in more than 21,000 communities buy, repair or refinance a home, and provided funding for more than 1,000 housing developments.

While we agree that RHS and FHA can learn from each other through inter-agency discussions, we maintain that RHS plays a distinct and critical role in the federal government's housing assistance strategy, as well as in the housing market overall. Further, we note that the President's Budget requests additional flexibility for RHS in managing its Rental Assistance program. While we understand the constraints of a limited budget, Democrats continue to have concerns about the practical effects of these proposals, and look forward to finding alternative solutions.

HOMELESS ASSISTANCE

HUD's homeless assistance programs provide much-needed and targeted resources to serve individuals and families experiencing homelessness. The Continuum of Care (CoC) program is HUD's largest and broadest program, focused on evidence-based models including permanent supportive housing and rapid re-housing, in order to successfully prevent and end homelessness across the nation. The Emergency Solutions Grant (ESG) program funds a variety of life-saving activities, and has proven to be an effective way of quickly transitioning people from homelessness to permanent housing.

The President's Budget provides $345 million in increased funding for the homeless assistance programs, for a total of $2.48 billion, which HUD indicates would fund more than 25,000 new units of permanent supportive housing for chronically homeless people. This increase will help to provide the funding necessary to continue to successfully implement the "Opening Doors" plan – the Obama Administration's coordinated plan to end homelessness across the nation. According to the U.S. Interagency Council on Homeless (USICH), efforts since 2010 have resulted in a decrease in overall homelessness by 10 percent, including a 25 percent reduction in unsheltered homelessness.

NATIONAL HOUSING TRUST FUND

The National Housing Trust Fund (HTF) was enacted to provide a permanent source of funding for the development, rehabilitation, and preservation of affordable rental housing for extremely low- and very low-income residents. Unlike other federal housing and community development programs, such as the HOME Investment Partnership and CDBG, at least 80 percent of funding must be used primarily for the production of affordable rental housing, and at least 75 percent must be used exclusively for the benefit of ELI households, or households with incomes at or below the poverty line, whichever is greater.[6] In contrast, the income targeting requirements for HOME and CDBG only require that a certain percentage of funds be used to benefit low- and moderate income households.[7] The result is that the majority of CDBG and HOME funding goes to the benefit of low- and moderate-income households rather than ELI households, for whom most affordable and available rental housing is out of reach. Thus, the HTF addresses the housing needs of ELI households that CDBG and HOME tend to overlook.

There is a great need for funding targeted to address the housing needs of ELI households in this country. For example, the National Low Income Housing Coalition's report entitled, "Out of Reach 2014," found that one out of every four renter households is ELI, but for every 100 ELI renter households there are just 31 affordable and available units. Further, the report found that 75 percent of ELI households spend over 50 percent of their income on housing cost needs.

In addition, as we have discussed earlier, we believe that the Federal Housing Finance Agency (FHFA) made a sound decision to fund the HTF. Funding the Trust Funds would not contribute to the financial instability of the GSEs, as specifically determined by the FHFA, based on the improved financial conditions of the GSEs. Further, the President's Budget projects that the GSEs will return money to American taxpayers, providing

[6] ELI households are those with incomes at or below 30 percent of the area median income (AMI).

[7] VLI and moderate income households are those with incomes at or below 50 percent of AMI or 80 percent of AMI, respectively

Treasury with an additional $153.3 billion over the next ten years, which when combined with dividend payments already paid, is $191.2 billion more than they have drawn from Treasury.

COMMUNITY DEVELOPMENT BLOCK GRANT

The President's Budget requests approximately $2.8 billion for the Community Development Block Grant (CDBG) program, which is a 7.6 percent decrease from last year's funding level of $3 billion. Despite the marked success of this program, and the continuing need for such funding, CDBG has experienced consistent funding cuts since the program reached a high of $4.36 billion in FY 2003. CDBG has a long and successful track record of helping hundreds of urban counties and cities meet locally identified needs. CDBG-related funding over the past decade is estimated to have sustained 400,000 jobs in local economies across the country. In 2012, nearly 21,800 permanent jobs were created or retained using CDBG funds and more than 32.5 million people benefited from CDBG funded public facilities activities.

HOME INVESTMENT PARTNERSHIP

The HOME program is the largest federal block grant to state and local governments designed exclusively to create affordable housing for low-income households. HOME provides grants to states and localities, often in partnership with nonprofits, to fund affordable housing projects. Much like the CDBG program, the HOME program empowers people and communities to design and implement strategies tailored to their own needs and priorities rather than imposing a one-size fits all approach. This has resulted in a remarkable record of success. The HOME program consistently creates or preserves approximately 17,870 jobs for every $1 billion in funding.

The current supply of affordable housing remains insufficient. Between 2011 and 2013, the population of renters increased by 1.4 million while the number of rental units rose by only 900,000. The lack of affordable housing continues to be a very serious problem for low-income households. Yet, among HUD programs, formula grants under the HOME program have experienced the steepest decline (about 46 percent) in funding since 2002. We note that despite an 18-month congressional investigation into the management and oversight of the HOME program in 2011, including extensive document production, no material findings of mismanagement resulted.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFI) FUND AND THE CDFI BOND GUARANTEE PROGRAM

The President's Budget indicates the Administration's continued strong support for the Community Development Financial Institutions (CDFI) Fund and the CDFI Bond Guarantee programs, which are having a growing impact on communities across the nation, especially those in lower-income and traditionally underserved areas. The Administration's proposal includes $233.5 million for the CDFI Fund—an increase over the Obama Administration's $226 million proposal last year and the $230.5 million approved for FY

2015. Within that allocation, the President's Budget includes $16 million for the CDFI Fund's Native American programs and $35 million for the Healthy Foods Financing Initiative. It also extends the authorization of the Fund to issue $1 billion in guarantees through the CDFI Bond Guarantee program and proposes reforms to the Bond Guarantee program to enable smaller and a broader range of entities to participate. The President's Budget also includes funds to administer the Capital Magnet Fund.

FAIR HOUSING

The President's Budget requests $71 million for fair housing activities for FY 2016. About $45.6 million of this amount is for the Fair Housing Initiatives Program (FHIP), including $1.8 million for the national Fair Housing Training Academy, which provides fair housing and civil rights training for housing industry professionals. FHIP is critical to building and sustaining inclusive communities, and is the only grant program within the federal government with a primary purpose of supporting private efforts to educate the public about fair housing rights and conduct private enforcement of the Fair Housing Act.

The President's Budget also requests approximately $23.3 million in Fair Housing Assistance Program (FHAP) funds. FHAP is a critical component of HUD's effort to ensure the public's right to housing free from discrimination. FHAP multiplies HUD's enforcement capabilities, allowing it to protect fair housing rights in an efficient and effective manner.

NATIONAL FLOOD INSURANCE PROGRAM

In March of 2014, Congress passed, and the President signed into law, the Homeowner Flood Insurance Affordability Act (HFIAA). The law, which passed with overwhelming bipartisan support in both chambers, is critical to addressing affordability issues facing thousands of homeowners across our country. Due to the Federal Emergency Management Agency's (FEMA) improper implementation of the Biggert-Waters Act, families were suffering from unintended consequences. It is only now that FEMA is finally beginning to provide relief for families that experienced dramatic increases in flood insurance premiums, communities that experienced depressed home prices, and homeowners who were left with the inability to buy or sell their home. The Committee will continue to monitor FEMA's implementation of both Biggert-Waters and the HFIAA, to ensure the continued availability and affordability of flood insurance. While we know that there is still work to be done, we are optimistic that the reforms included in HFIAA have put us on the right track to strengthening the National Flood Insurance Program and protecting families and communities that rely on flood insurance.

ORDERLY LIQUIDATION AUTHORITY

The financial crisis exposed limitations in the federal banking regulators' authority to resolve large, complex financial institutions. These limitations forced the government to expend enormous resources to prevent failures at systemically important firms to avoid an economic collapse. Firms that are so large and complex that they could not be resolved without harming the broader economy are known as "too-big-to-fail."

To prevent future bailouts of systemically important financial institutions (SIFIs), the Dodd-Frank Act gave regulators the tools to end "too-big-to-fail." The law requires that systemically important firms submit to regulators a resolution plan or "living will," which demonstrates how that institution could be successfully resolved using existing bankruptcy procedures. Institutions that fail to submit credible plans can be required by new regulatory authority to raise capital, exit lines of business, or even divest entirely of complex subsidiaries.

However, because not all threats to economic stability can be foreseen, the Dodd-Frank Act also provides regulators with additional authorities to resolve systemically important firms in an orderly fashion – known as the Orderly Liquidation Authority (OLA). Under OLA, if regulators must use government funds to help resolve an institution in order to prevent contagion or other economic catastrophe, any funds would be recouped from an assessment on all systemically important institutions at no cost to the American taxpayer.

Although the Congressional Budget Office (CBO) previously estimated that a repeal of the OLA would reduce the deficit by $22 billion over ten years, these savings stem only from the fact that CBO is merely looking at a ten-year period. By selectively citing CBO's estimate, the Majority's Views misleadingly use CBO's estimate to suggest that regulators would ignore the law and pass on the cost to taxpayers. However, in the same estimate, CBO states that, "the recoupment of [resolution] expenses will ultimately equal the expenses, but not within the 10-year period." Repealing the OLA, as the Majority proposes, would expose the American economy to additional uncertainty and instability, inviting a crisis whose cost would likely be an order of magnitude much greater than any fictional savings.

OFFICES OF MINORITY AND WOMEN INCLUSION

As the population in our country is becoming increasingly more racially and ethnically diverse, it is a critically important that federal financial services agencies have designated well-trained staff and sufficient resources to ensure that they are able to attract, retain, and promote an inclusive and diverse workforce. A highly-qualified, diverse workforce is no longer vital just because it is the right thing to do; it is necessary for these agencies to operate effectively and to be positioned to understand the financial needs of and implement regulations and guidance for traditionally underserved communities and populations.

Most of the federal financial agencies are required under Section 342 of the Dodd-Frank Act to establish Offices of Minority and Women Inclusion (OMWIs) which, among other things, are responsible for developing standards for equal employment opportunity and the racial, ethnic, and gender diversity of the workforce and senior management within each of the agencies in which they are located. However, currently not all OMWIs are fully-staffed and some of the requirements under Section 342 have still not been finalized. In order for agencies to comply with and enforce all of the Section 342 requirements—and to stand meaningfully behind claims of support for equal opportunities for minorities and women in the agencies' workforce and for the fair inclusion and utilization of minority-owned and women-owned businesses in the activities of the agencies—we urge agencies to allocate adequate resources to devising and implementing new and creative ways to recruit and retain a diverse workforce, and to promote increased participation by minority-owned and women-owned businesses in the programs and contracts of the agencies. Doing this will help to combat the challenges identified in past years and foster a diverse and inclusive workforce at these agencies.

FEDERAL RESERVE SYSTEM

The actions undertaken by the Federal Reserve played an essential role in stabilizing our economy during and after the Great Recession, and continue to play an on-going role in growing our economy and reducing unemployment.

The Federal Reserve's sustained actions have also become increasingly important in recent years, as sequestration and the Republicans' self-inflicted federal government shutdown, which were outlined earlier, played a counterproductive role in promoting economic growth and job creation. Rather than acknowledge the Federal Reserve's commendable efforts to put our economy on more stable footing, or discuss the economic consequences of the Republican's across-the-board fiscal austerity and federal government shutdown, the Majority's Views has instead chosen to focus on whether the Federal Reserve will cease remitting profits back to the Treasury. In doing so, the Majority once again presents a misleading picture of projected future deposits of earnings from the Federal Reserve, citing only the worst case scenarios conducted by Federal Reserve researchers.

While the substantial sums remitted from the Federal Reserve to the Treasury in recent years have had the additional benefit of reducing the deficit, these sizeable transfers would not have occurred had the Federal Reserve refrained from engaging in the types of stimulative activity that have garnered fierce opposition among the Majority. Such stimulative activity also happened to have the added benefit of reducing the interest costs associated with managing actual and projected federal budget deficits. These benefits far outweigh any potential decline in Federal Reserve's remittances to the Treasury in the coming years. The irony that the Majority now complains about the impact of lower future remittances by the Federal Reserve and increased future borrowing costs is not lost on Democrats.

Nonetheless, the Majority's Views misses the larger point, specifically, that deposits from the earnings of the Federal Reserve System are ancillary to the conduct of monetary policy. Democrats maintain that the Federal Reserve's Federal Open Market Committee (FOMC) should continue to take appropriate action based on changes in macro-economic conditions, consistent with its statutory mandate "to promote effectively the goals of maximum employment, stable prices and moderate long-term interest rates." Basing policy decisions on whether they would maximize income for the Treasury would be shortsighted. Such a shift would undermine confidence in the dollar and our economy as a whole.

FINANCIAL STABILITY OVERSIGHT COUNCIL & OFFICE OF FINANCIAL RESEARCH

The Office of Financial Research (OFR) is an office created by the Dodd-Frank Act and housed within Treasury. Its primary function is to support the Financial Stability

Oversight Council (FSOC) in fulfilling its duties of identifying and responding to risks and emerging threats to the financial stability of this country.

In the years leading up to the financial crisis, the regulatory and supervisory framework failed to keep up with the changes in size, complexity, interconnectedness, and globalization that created the growing risks to financial stability. Through its two units, a Data Center and a Research and Analysis Center, OFR can collect and analyze detailed financial information from the financial sector. OFR then shares this data with the FSOC and member agencies so that they may deliberate and take the necessary steps in identifying, preventing, preparing, and intervening in the economy to provide financial stability and remove threats. As a result, for the first time, regulators have the necessary tools to evaluate the stability of the entire financial system, not just individual institutions.

OFR and FSOC provide the federal government with a powerful warning tool and preventive mechanism for finding emerging threats to the system and rooting them out before it is too late. The financial crisis made clear that such organizations with these specific skills, knowledge, and broad authority were needed in order to prevent another crisis. Both FSOC and OFR have grown since their inception and have honed their capacity to identify threats and craft solutions as needed. Both organizations have also made strides towards becoming transparent to the public.

The budgets of the OFR and the FSOC do not affect the deficit because they are offset by a fee imposed on systemically significant financial institutions.

EXPORT-IMPORT BANK

The Export-Import Bank of the United States (Bank) is the official export credit agency of the United States. The mission of the Bank is to enable U.S. companies – large and small – to turn export opportunities into real sales that help maintain and create American jobs that contribute to a stronger national economy. In FY 2014, the Bank supported an estimated $27.5 billion in U.S. export sales and approximately 164,000 jobs across the country.

Since FY 2008, the Bank has operated on a self-sustaining financial basis, which means that the Bank is able to cover its own administrative, program, and reserve expenses entirely through fees it charges for its services. In addition to offsetting the costs of its own operating expenses through the fees it collects, the Bank also generates excess funds that it sends each year to the Treasury. In FY 2014, after covering operating expenses and loan loss reserves, the Bank transferred $675 million in deficit-reducing receipts to the Treasury.

The Majority's Views' assertion that the Bank's fiscal position is unsound is simply false. As of September 30, 2014, the Bank's default rate continued to be extremely low, at 0.175 percent. Additionally, the Bank's annual report makes clear that it continues to have reserves adequate to cover likely losses even in the most extreme stress test scenarios. In fact, reserves at the Bank are 17 times greater than are needed to cover the losses under the current rate of default.

Claims by the Majority that the Bank has yet to implement adequate governance reforms and risk management controls ignore the tremendous progress that the Bank has made over the past several years in implementing recommendations from its inspector general (IG) and the GAO. The Majority's Views fails to mention that the Bank has faithfully implemented, and the Bank's IG has closed, over 40 separate recommendations, including recommendations related to enhanced risk management.

Democrats also reject the Majority's claim that the Bank is somehow misrepresenting its true cost to American taxpayers. Like all other federal financial services agencies, the Bank follows the congressionally mandated accounting system established through the Federal Credit Reform Act. Democrats reject the suggestion that the Bank should adopt an accounting system that differs from other federal accounting rules. Attempts to portray the Bank's accounting as if a private market participant were to conduct the Bank's programs would project an artificial loss that would not reflect reality. Such efforts are, therefore, inappropriate for assessing the Bank's impact on the federal budget deficit. In fact, since 1992, the Bank has remitted $6.9 billion in profits to the Treasury.

The Majority's failure to pass a multi-year extension of the Bank's charter has once again created needless uncertainty for U.S. exporters and their workers. Democrats are united in supporting a multi-year reauthorization of the Bank's charter that provides appropriate increases in the Bank's exposure limit to ensure the Bank is able to meet the trade financing needs of U.S. exporters. Democrats will continue to bring attention to the critical role the Bank plays for U.S. businesses and their workers, and will seek to find ways to overcome the intransigence of the more extreme elements of the Majority that oppose the Bank's reauthorization on ideological grounds.

MULTILATERAL DEVELOPMENT BANKS

The multilateral development banks (MDBs), including the World Bank and the regional development banks, play a leading role in efforts to promote growth and alleviate poverty around the globe. We believe it is in the interest of the U.S. that the MDBs remain strong, credible, and effective, and we support funding all U.S. commitments to these institutions, including paying U.S. arrears. Continued U.S. support will ensure our ability to influence and lead policy directions at the MDBs as well as prioritize global humanitarian initiatives in areas we deem critical, including reducing poverty, consolidating new democracies, and improving governance.

We believe that transparency and democratic participation in development decisions contribute to project quality and improved development outcomes. We support independent and effective accountability mechanisms at each of the MDBs. We believe the current draft of the updated World Bank Safeguard Policies must be revised to include greater specificity and clarity regarding the Bank's role in conducting its own social and environmental due diligence. The reliance on self-reporting by borrowers in meeting environmental and social commitments during project implementation must also be coupled with an expanded, more robust supervision and monitoring role by the Bank. Also, the policy text of the new Framework must make it clear that project-affected people may submit complaints to the Inspection Panel after their concerns have been brought directly to the attention of the World Bank, and Bank Management has been given a reasonable opportunity to respond.

INTERNATIONAL MONETARY FUND

In 2010, the International Monetary Fund (IMF) Board of Governors agreed to double the size of the current IMF quota to ensure the institution has adequate resources to play its central role in helping to resolve and prevent international economic and financial crises and to implement governance reforms that would give emerging economies a greater voice at the IMF, while preserving U.S. leadership and veto power.

We strongly support U.S. approval of the IMF quota package. U.S. congressional authorization is critical because the continued failure to approve the U.S. portion of the quota deal prevents the entire package from moving forward. Congressional approval would not increase total U.S. obligations to the IMF; rather the U.S. would transfer a portion of its existing commitment from one IMF lending window to another.

It is worth noting that implementing the IMF reform package will not only give more say to emerging markets that are currently under-represented at the IMF, it is also a critical step in addressing the over-representation of Europe on the IMF Executive Board. As part of the quota package resolution, Europe committed to reduce its representation on the IMF Executive Board by two chairs, while the U.S. will retain its seat on the Board.

The failure by Congress to ratify the IMF reforms has led to widespread doubt about U.S. leadership on international economic governance. In response, a number of developing countries, led by China, have begun to act independently, with initiatives viewed as a coordinated challenge to western dominance in the global financial institutions and in the world economy. Last July, the BRICS nations (Brazil, Russia, India, China and South Africa) announced plans to launch a BRICS Development Bank that they hope will rival the influence of the World Bank, while China announced last fall an agreement with 21 other developing countries to create an Asian Infrastructure Investment Bank, to be headquartered in Beijing, which is viewed by many as a rival to the Asian Development Bank.

Views & Estimates – Committee on Financial Services re: Budget for FY 2016

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