

Amendment # ____ :To Require HUD to Report to Congress on Homes Owned by the Department and the Cost to Taxpayers to Maintain these Homes.

One of the core missions of the Department of Housing and Urban Development core mission is to combat homelessness.¹ HUD has numerous separate programs that target homelessness, and in this legislation, HUD's homeless assistance grants total over \$1.9 billion, an increase of over \$200 million from last year.

Yet, while America homelessness rate remains high and we face uncertain economic times, HUD's resources are being diverted away from this, as the agency has waded into an area that is not a part of its core mission: home ownership. According to a May 15, 2009 USA Today article, the government now owns more than 50,000 homes, and "federal records show it's struggling to unload the houses and facing billions of dollars in losses."

Additionally, it remains to be seen why HUD owns empty houses, losing taxpayer money in an endeavor it was never intended to pursue, while also not utilizing the structures for the homeless in the interim.

As such, this amendment would require an in-depth look at HUD's ownership of housing and also at the current state of homelessness in hopes of providing constructive solutions to both problems.

The USA Today article details that "Since 2007, HUD has acquired at least 110,000 foreclosed homes," spending about \$12.2 billion to reimburse lenders after the owners defaulted on government-backed loans. So far, HUD has been able to recover only about \$5.5 billion by reselling them. It has about 38,000 homes still for sale."

The exact scale of the government's increased homeownership is not clear, in part because Washington has not precisely tracked the number of homes it has for sale at any given moment. But, it appears from some reports that the change is substantial: the number of homes HUD owns, for example, is up about 40% since 2004.²

¹ <http://www.hud.gov/library/bookshelf12/hudmission.cfm>

² http://www.usatoday.com/money/economy/housing/2009-05-14-govtown_N.htm

In order to provide Congress and taxpayers with an accurate accounting of the situation, this amendment would require HUD to report to Congress the following information:

- The number of residential homes it owns and these numbers for the last five years;
- An itemized breakdown of the total annual financial impact, including losses and gains from selling homes and maintenance and acquisition of homes, of home ownership by the Department since 2004
- A detailed explanation of the reasons for the ownership by the Department of the homes;
- A list of the 10 urban areas in which the Department owns the most homes and the rate of homelessness in each of those areas; and
- A list of the 10 states in which the Department owns the most homes and the rate of homelessness in each of those States.

While the homelessness epidemic continues, HUD is losing big after gambling in the housing market

According to the *USA Today* article, “The combination of a deep recession and a floundering housing market has left the government with more than 50,000 houses on its hands — enough homes to fill a city the size of Riverside, California, or Miami, Florida.”³

The government's houses are divided among a handful of agencies. Most came into federal hands when borrowers defaulted on government-backed mortgages. In some cases, the government foreclosed on loans it wrote, or took over foreclosed properties from private lenders.⁴

HUD does not even know how much property it owns or the amount of monetary losses taxpayers will incur because of the extensive home ownership

The exact scale of the government's increased homeownership is not clear, nor is the amount of financial damage taxpayers will face because of it.

³ http://www.usatoday.com/money/economy/housing/2009-05-14-govtown_N.htm

⁴ http://www.usatoday.com/money/economy/housing/2009-05-14-govtown_N.htm

This is due in part because Washington has not precisely tracked the number of homes it has for sale at any given moment. However, according to some reports, HUD homeownership is steadily increasing, up nearly 40% since 2004.⁵

According to documents obtained by USA Today, the number owned by the U.S. Department of Agriculture has more than doubled over the past two years, to just over 1,000. That trend is "of increasing concern," says Jay Fletcher, a spokesman for the U.S. Department of Agriculture. "If the numbers were to double or triple again, that would be a problem."⁶

Both HUD and the VA are trying to speed up sales to cut the number of homes they own. But with prices falling, every sale also means deeper losses. HUD lost 39 cents on the dollar for every home it resold last year, and the VA lost 13 cents. This year's recovery rates are even worse. And the figures do not include the millions of dollars in management fees the government has paid to maintain and sell those homes.⁷

This amendment would require HUD account for its property so it can plan for the future and how it will properly dispose of the properties it owns.

Additionally, it will also account for the financial losses associated with the property, thereby allowing Congress and HUD to appropriately budget the losses to avoid a bailout or HUD the ability to mask or hide its losses. HUD should pay for the losses from within its own budget and not force taxpayers to pick up the tab for the Department's bungled management.

Case Study: HUD possesses scores of empty homes located in Detroit, meanwhile, the city has a large homeless population in need of shelter

The federally owned homes appear to be concentrated in struggling areas, such as Detroit. According to the *USA Today* article, in some Detroit neighborhoods, HUD records show the agency owns four or more houses on the same block. They are among a thicket of foreclosed homes so

⁵ http://www.usatoday.com/money/economy/housing/2009-05-14-govtown_N.htm

⁶ http://www.usatoday.com/money/economy/housing/2009-05-14-govtown_N.htm

⁷ http://www.usatoday.com/money/economy/housing/2009-05-14-govtown_N.htm

dense that "on some streets, every third house is boarded up," says Dearborn, Michigan, real estate agent Mike Shannon.⁸

While government homeownership has risen in Detroit, the city also has a large homeless population. According to the Detroit Rescue Mission, there are over 18,000 homeless people in need of shelter in the city on any given night. Of that number:

- 30% of them are chronically homeless,
- 25% of them are children.⁹

This amendment would require HUD to account for these homes, not only in Detroit, but across the country. Eventually, Congress could consider proposals to place the homeless population in these HUD homes, instead of spending even more money to build new low-income housing and homeless shelters.

While funding to combat homelessness keeps increasing, homeless rates have remained consistent the past 20 years

Detroit's situation is all too common across the country. Despite spending billions of dollars every year for federal housing programs, homeless rates have remained consistent for decades. HUD has numerous separate programs that target homelessness, and in this legislation, HUD's homeless assistance grants total over \$1.9 billion, an increase of over \$200 million from last year.

In addition, the Section 8 Voucher Program is funded at \$8.1 billion in FY 2010, a \$600 million increase over FY 09. The Section 8 voucher program provides portable rental subsidies that low-income families use to reduce their housing costs in the private market. HUD currently funds more than two million Section 8 vouchers, which are administered at the local level by quasi-governmental Public Housing Authorities.

In the last 12 years (since FY 1999), the HUD annual budget has increased 88% (51% adjusted for inflation). The Transportation/HUD bill we are considering today provides a 10% increase for the HUD budget over last year's level. Unfortunately, statistics over the past 20 years show

⁸ http://www.usatoday.com/money/economy/housing/2009-05-14-govtown_N.htm

⁹ Detroit Rescue Mission

homeless rates have remained steady despite these significant funding increases for HUD, which is tasked with addressing homelessness.

In 1984, HUD conducted a homeless study and the report estimated that there were between 250,000 –350,000 homeless people at a point in time.¹⁰ Another study reported that anywhere between 2.2 million and 3.5 million were homeless during that year.¹¹

A decade later, in 1996 a national count of the homeless found that 842,000 people in the United States were homeless during a week in February.¹² In an estimate of annual homelessness based on that study's data, another study concluded that the number of persons experiencing homelessness during a one-year time period was still between 2.5 and 3.5 million.¹³

In 2005, a survey identified 804,212 homeless people in during the month of January.¹⁴ The study also estimated that between 2.3 and 3.5 million people were homeless during the year.¹⁵

These studies, conducted by the National Alliance to End Homelessness, demonstrate the fact that our countries homeless issues are not being remedied despite billions of dollars being spent every year by the federal government.

Veterans constitute a large proportion of homelessness in the U.S.

According to the Department of Veterans Affairs (VA), on any given night at least 194,000 veterans were homeless in fiscal year 2005 and veterans make up about one-third of the adult homeless population.¹⁶

Additionally, in 2005, an estimated 2.3 million veteran renter households had low incomes. Further, an estimated 1.3 million, or about 56 percent of these low-income veteran households nationwide, had housing affordability

¹⁰ <http://www.endhomelessness.org/content/article/detail/1440>

¹¹ <http://www.endhomelessness.org/content/article/detail/1440>

¹² <http://www.endhomelessness.org/content/article/detail/1440>

¹³ <http://www.wsws.org/articles/2007/mar2007/home-m19.shtml>

¹⁴ <http://www.endhomelessness.org/content/article/detail/1440>

¹⁵ <http://www.endhomelessness.org/content/article/detail/1440>

¹⁶ <http://www.gao.gov/new.items/d08324t.pdf>

problems—that is, rental costs exceeding 30 percent of household income.¹⁷

The return of more veterans from service in Iraq and Afghanistan—some with significant physical and psychological challenges—could increase demand for affordable housing. By requiring HUD and the other agencies to track the number of empty government homes, Congress could then consider proposals to place homeless veterans and other homeless individuals in these homes.

HUD’s ability to effectively carry out its mission is impaired by waste, fraud, and abuse

Compounding HUD’s inability to combat homelessness is the systemic dysfunction and incompetence that plagues the entire Department.

For FY 2008, the Inspector General of the Department found nearly \$1.8 billion in waste.¹⁸ HUD also reported nearly \$1 billion in improper payments for FY 2008.¹⁹

In addition, there were the following criminal activities within the Department:

- 1,524 arrests;
- 1,180 indictments; and
- 969 convictions.²⁰

¹⁷ <http://www.gao.gov/new.items/d08324t.pdf>

¹⁸ <http://www.hud.gov/offices/oig/sar60.pdf>

¹⁹ <http://www.gao.gov/new.items/d09628t.pdf>

²⁰ <http://www.hud.gov/offices/oig/sar60.pdf>



USA Today

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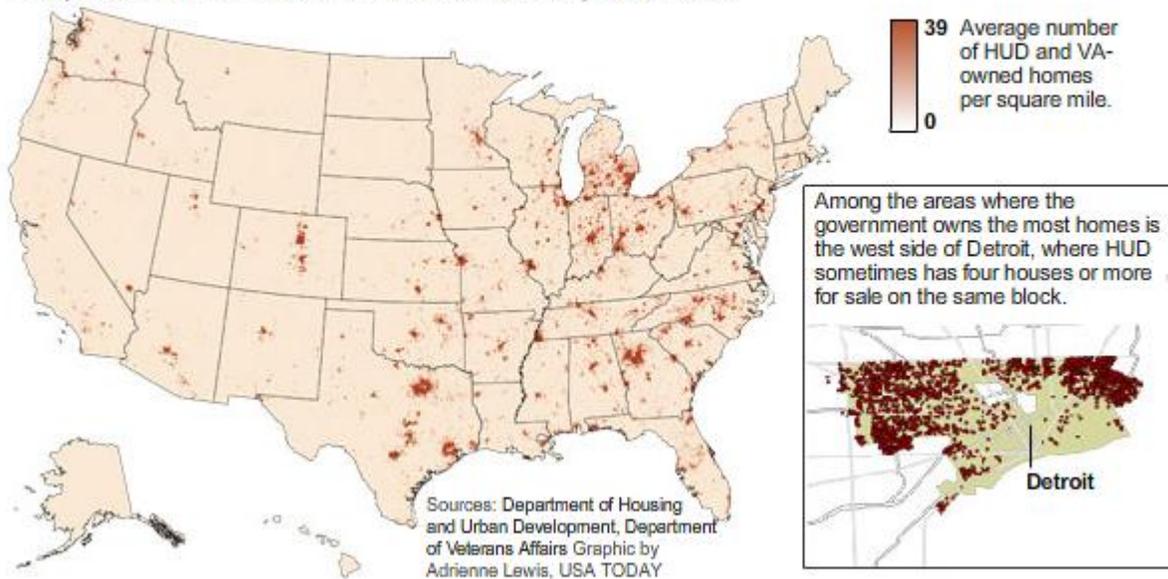
http://www.usatoday.com/money/economy/housing/2009-05-14-govtown_N.htm

Gov't losses big in home market

By Brad Heath, USA TODAY

Government-owned homes

The combined effects of a recession and the foreclosure crisis have left the government with nearly 48,000 homes on its hands, concentrated most heavily in the Midwest:



WASHINGTON — The nation's teetering economy has Uncle Sam playing a growing role in neighborhoods across the country — as a homeowner.

The combination of a deep recession and a foundering housing market has left the government with more than 50,000 houses on its hands — enough homes to fill a city the size of Riverside, Calif., or Miami. Now federal records show it's struggling to unload the houses and facing billions of dollars in losses.

"Everybody's in this market together," says Bill Apgar, a senior adviser to Housing Secretary Shaun Donovan. "Obviously, this is not the best time to be a home seller."

In many ways, the government's situation parallels what thousands of other homeowners are confronting: The houses it owns are harder to sell, they typically sit empty longer, and in many cases, their values cratered as the real estate market collapsed.

Since 2007, the Department of Housing and Urban Development has acquired at least 110,000 foreclosed houses, its records show, spending about \$12.2 billion to reimburse lenders after the owners defaulted on government-backed loans. So far, HUD has been able to recover only about \$5.5 billion by reselling them. It has about 38,000 homes still for sale.

The government's houses are divided among a handful of agencies. Most came into federal hands when borrowers defaulted on government-backed mortgages; in some cases, the government foreclosed on loans it wrote, or took over foreclosed properties from private lenders. The list doesn't include homes repossessed by federally chartered mortgage giants Fannie Mae and Freddie Mac.

Those homes account for only a fraction of all the homes that have been seized by lenders as the foreclosure crisis worsened — about 1.2 million nationwide in 2007 and 2008, according to the listing firm RealtyTrac. But at a time when the government is spending billions of dollars to rescue banks swamped by foreclosures, they create their own challenges.

"Every day a house is on the market, you have to pay to maintain it, to keep it secure, to cut the grass, and it's another day of wear and tear," says Mark Bologna, director of the Veterans Affairs Department's Loan Guaranty Service. He said the agency will almost certainly take over far more houses this year than it has in recent years.

The exact scale of the government's increased homeownership isn't clear, in part because Washington hasn't precisely tracked the number of homes it has for sale at any given moment. But the change is substantial: The number of homes HUD owns, for example, is up about 40% since 2004. The number owned by the U.S. Department of Agriculture has more than doubled over the past two years, to just over 1,000.

That trend is "of increasing concern," says Jay Fletcher, a spokesman for the U.S. Department of Agriculture. "If the numbers were to double or triple again, that would be a problem," he says.

Both HUD and the VA are trying to speed up sales to cut the number of homes they own. But with prices falling, every sale also means deeper losses. HUD lost 39 cents on the dollar for every home it resold last year, and the VA lost 13 cents. This year's recovery rates are even worse. And the figures don't include the millions of dollars in management fees the government has paid to maintain and sell those homes.

Apgar and Bologna say the losses aren't steep enough to threaten the solvency of federal loan guarantees, in part because the government also is collecting far more in fees as it stakes out a dramatically increased role in the housing market. And they note that the government has faced such challenges before, particularly in the late 1980s, when another real estate downturn prompted a spike in foreclosures.

The federally owned homes are concentrated in struggling areas such as Detroit. In some neighborhoods there, HUD records show the agency owns four or more houses on the same block. They are among a

thicket of foreclosed homes so dense that "on some streets, every third house is boarded up," says Dearborn, Mich., real estate agent Mike Shannon .



By Rogelio V. Solis, AP

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