

**House Financial Services Committee hearing entitled
“Oversight of the Department of Housing and Urban Development
and the Federal Housing Administration”
January 11, 2024**

Opening Statements

[Chair McHenry \(R-NC\)](#)

- Mortgage rates have increased 150 percent since their all-time low in January 2021, rents have risen by more than 15 percent nationally since 2021, and homelessness increased by 12 percent over last year. There has been a gross lack of attention to these issues under your watch and little progress.

[Ranking Member Waters \(D-CA\)](#)

- MAGA Republicans are on track to shut down HUD in just eight days.
- Committee Democrats do have solutions. Just this Congress, I introduced a package of legislation that if passed into law will create nearly 1.4 million affordable homes, end homelessness, and revive the dream of homeownership for all. Today, we will also hear about many other solutions led by my fellow Democrats who stand ready to pass these bills into law.

Witness

[The Honorable Marcia Fudge, Secretary, U.S. Department of Housing and Urban Development](#)

- The priorities I outlined during my appearance before the Budget Committee in April 2023 will continue to serve as our guide going into this year.
- We will not be able to solve the homelessness problem, address climate risks to the housing market, or address the affordable housing supply issue without a strong HUD.

Question and Answer Session

McHenry (R-NC)

- Regarding the letter I sent to you pertaining to a problem one of my constituents was experiencing, why is it difficult to tell disabled veterans how to verify their income? Fudge: The median income is determined by Congress. Problems with the VA disability program is generally a problem for the Treasury Department. However, HUD is still working to fix this problem.
- What are you doing to lower the cost of housing? You have presided over higher rents, more homelessness, and an agency that’s spending more. Have you created incentives for new housing supply? Fudge: We have increased housing supply because we have provided the kind of financing that developers need to build new housing, we have preserved housing, and we have created new housing. HUD has helped make the financing market so that it is desirable to build housing.

Waters (D-CA)

- If there are discrepancies regarding what it takes for Veterans to qualify for housing programs, that is an issue for Congress to solve.
- We need more resources in this country to deal with housing and homelessness. However, Republicans are budget cutters. They don’t support the subsidies that are needed.

- HUD's budget is again on the chopping block. Extreme MAGA Republicans are continuing their campaign to defund federal housing programs.
- What would a HUD shutdown, budget cuts, or program eliminations mean for the stability and prosperity of our families and nation? Fudge: If HUD doesn't get the resources we need, the programs we offer would suffer.

Hill (R-AR)

- HUD and the Little Rock Public Housing Authority have previously entered into corrective action agreements to remediate issues identified at the Little Rock Housing Authority. Will HUD commit to resolving these longstanding issues at the Little Rock Housing Authority? Fudge: Yes. I support HUD conducting inspections of public housing authorities.
- HUD's 2020 IG report found that field operations staff had not been referring troubled Public Housing Authorities to HUD for action or submitting reports to Congress for 11 years. How many public housing authorities have been in trouble for two years or more? Fudge: I don't know.
- It's important that this committee has oversight over Public Housing Authorities.

Sherman (D-CA)

- I don't believe service-connected disability payments should be considered income for the purpose of determining whether disabled Veterans are eligible for certain housing programs. Will you work to make sure service-connected disability payments are excluded from the definition of income? I am working on a legislative proposal to accomplish this goal. Fudge: We are working on a legislative proposal to do just that.
- Are you willing to look at not requiring FHA borrowers to make mortgage insurance payments for the life of the loan, but rather to eliminate the payments when they get to a certain LTV as the value of the home increases? Fudge: Yes, I'm willing to look at that.

Lucas (R-OK)

- Can you discuss what you're hearing from communities about the greatest barriers to housing? Fudge: Supply issues for our builders have created a problem. Regulations from state and local governments have also increased the cost of building a home. The biggest problem is regulation. The second biggest problem is private persons who come in and purchase private properties and put them on the rental market. There is an estimate today that in the next ten years 40 percent of all of the housing in this country will be owned by private corporations.
- What are some of the issues you anticipate working on with Congress to bring down the cost of housing? Fudge: We hope we will be able to continue to provide tax credits, but at a higher rate than we are now. We need to raise the cap on these tax credits. We hope that there will be a Neighborhood Tax Credit which has been proposed by many members of Congress. We also hope we will be able to examine the housing supply chain including those who are monopolizing certain goods and services along that chain. HUD also needs more resources to modernize our existing public housing supply.

Scott (D-GA)

- Please work with stakeholders and Public Housing Agencies as HUD formulates its housing payment assistance draft solicitation in connection with performance-based contract administrators critical to the Section 8 program.

Sessions (R-TX)

- I am concerned with section 251 of the Transportation-HUD appropriations bill recently passed in the Senate which deals with project-based rental assistance.
- Took issue with funds being diverted away from helping Veterans with homelessness and instead those funds being used to help illegal aliens.

Lynch (D-MA)

- Thank you for your work in advancing the bipartisan Community Project Funding initiatives that Congress has enacted into law.
- Zoning can sometimes be a restrictive factor on building new public housing. Is there a way for us to incentivize the building of micro-housing? Fudge: FHA and FHFA is looking into accessory dwelling units and manufactured housing. This type of housing is efficient and inexpensive to build. We are trying to incentivize communities to allow this kind of building in their community.
- What else can Congress do to help HUD do its job? Fudge: Assist us in updating public housing. Give HUD the flexibility to encourage communities to build more affordable homes.

Posey (R-FL)

- What are your thoughts on H.R. 3170, the *Helper Act*? The bill would initiate a program in FHA, similar to the VA program for first responders, K-12 teachers, etc., many of whom can't afford to live in the communities they serve. Fudge: I support the bill conceptually. However, I have not read the entire bill, so I can't say I support it fully.
- I have introduced H.R. 4465, the *Making Condos Safer and Affordable Act*. The bill would give condominium owners the access to the government-backed loans they need to meet safety challenges related to weather. What are your thoughts on that bill? Fudge: I would have to take some time to think about this bill. I think we should take another look at how we deal with condominiums.
- Does HUD have any thoughts on incentives it could provide to the market to bring down the price of land upon which housing is built? Fudge: We are working with land banks to acquire land to give to communities at a rate at which they can encourage building in their communities.

Cleaver (D-MO)

- Implied that Congress needs to change in law the one-for-one limitation on HUD being able to rebuild public housing following a natural disaster.
- Congress needs to provide HUD with more resources to update the public housing supply.

Luetkemeyer (R-MO)

- CBO estimates FHA will collect \$7B less in revenue this year than last year. What is the current past-due rate of FHA's loan portfolio? Fudge: It is very small. I don't know the exact number. That is why we cut rates last year.
- What is FHA's current loan loss rate? Fudge: It's less than four percent. We have ten times what we are required to hold in reserves.
- What is FHA's current level of reserves? Fudge: It's \$147B.
- Do you think FHA's loss reserve is adequate at this time to withstand an economic downturn? Fudge: Yes.
- Are you aware of FHFA's decision to allow lenders to move from a tri-merge credit report to a bi-merge credit report? I am concerned about the negative impact this transition could have on borrowers. Are you concerned about a potential negative impact on borrowers? Fudge: Yes, I

am aware of the issue. HUD staff has not raised any concerns surrounding the transition. Even though HUD and FHFA work together, most of the things they do don't affect us negatively.

- We need to reduce regulations if we want to increase the supply of housing.

Meeks (D-NY)

- What is HUD doing to ensure renters are able to move from renting to homeownership? Fudge: HUD offers homebuyer assistance programs. We are looking at how we address downpayment assistance. We are considering offering longer mortgages as well. We've also incorporated rental payments into the calculation of a person's credit history. We have also instituted changes to make sure individuals who want to buy homes, instead of corporations, have a first shot at purchasing those homes.
- What is HUD doing to increase homeownership for communities of color? Fudge: We are looking at fair housing and discrimination in the housing market.
- Do you think there could be a scenario where FHA mortgage insurance premiums could follow a model that is similar to the private mortgage insurance where the insurance premium is dropped once the borrower meets a certain LTV ratio? Fudge: I would love to see that happen.

Huizenga (R-MI)

- Does FHA have any plans to transition to a bi-merge credit report from a tri-merge credit report like FHFA is undertaking for the loan programs it oversees? Fudge: Not to my knowledge. I would have to talk to the FHA Commissioner, but that is not something we have discussed.
- Asked what steps HUD has taken to ensure there is not a toxic workplace at the department.

Himes (D-CT)

- I think the most powerful tool we can use to address housing supply is the LIHTC. There is bipartisan support for augmenting the LIHTC program.
- What percentage of new housing units, which we need more of to address the housing supply issue, will need to be subsidized in some form? Fudge: If it's affordable housing, all of them will probably need some subsidizing. This is why HUD has asked Treasury to reconsider the amount of LIHTC they provide and the caps that are on those credits.
- Congress needs to augment the LIHTC program as well as make it more flexible to allow mixed-income and mixed-use in one building. What would be your suggestions for Congress to accomplish those goals? Fudge: I would suggest Congress talk with Treasury about how the program can be augmented and made to be more flexible.

Wagner (R-MO)

- Asked what HUD is doing to return more employees to in-person work.
- Why is HUD asking for more appropriations when it should be cutting its expenses instead? Fudge: HUD needs more resources to pay rising rents and rising mortgages.

Foster (D-IL)

- I think the rent-to-own model employed by some public housing authorities is a very successful model that should be employed by other public housing authorities.
- Suggested HUD should conduct a cost-benefit analysis of all of its housing programs to determine the ones with the most value to shift funds to those programs.
- Asked how HUD can lower the cost of building materials for affordable housing.

Barr (R-KY)

- Has HUD spoken with FRB Vice Chair for Supervision Barr regarding the Basel III end-game proposed rule given it decreases mortgage access for communities of color and first-time homebuyers? Fudge: I have not spoken with him because the Fed deals with conventional mortgages and HUD does not.
- The housing first approach to homelessness is not solving but actually deepening the homelessness problem. I encourage HUD to abandon its housing first approach.

Beatty (D-OH)

- Thank you for HUD's proposed rule on Affirmatively Furthering Fair Housing.
- Congress needs to adequately fund HUD during the upcoming appropriations negotiations. We should not be cutting HUD programs such as the Home Program. We should also be instituting new programs such as the Pro Housing Program which Democrats included in the FY 2023 appropriations bill.

Williams (R-TX)

- Congress needs to take action to improve oversight of HUD grant funds.
- In 2021, HUD released its climate action plan. I believe HUD is focusing on social goals to the detriment of focus on increasing the nation's housing supply and affordability.
- Asked what HUD is doing to return more employees to in-person work.

Vargas (D-CA)

- HUD can't change the definition of what should be considered income for the purpose of determining whether disabled Veterans are eligible for certain housing programs. Only Treasury and Congress can do that.
- What can we do at the federal level to increase the supply of housing? Fudge: Most of the things that prevent new housing are not federal, but local.

Loudermilk (R-GA)

- I have introduced H.R. 2771, the *Portal for Appraisal Licensing Act*, to streamline the licensing process governing real estate appraisers as more appraisers operate across state lines.
- HUD has proposed a rule to require at least 30 days notice before housing providers can file a non-payment eviction for public housing. This proposed rule interferes with established state eviction laws and court processes. My bill, the Respect State Housing Laws Act, returns eviction policy to the states. Do you support my bill? Fudge: There are some things that need continuity across states, and this issue may in fact be one of them.

Gonzalez (D-TX)

- I have had trouble receiving timely responses from HUD regarding various letters I have sent the department pertaining to constituent matters.

Davidson (R-OH)

- I hope we pass my bill the HUD Evaluation and Optimization Commission Act.
- Please make sure you remediate the problems being experienced in the Washington, D.C. Public Housing Authority.

Casten (D-IL)

- HUD's 2021 climate risk report noted banks are offloading mortgage loans with climate risk into government-backed portfolios and HUD's loan programs could be put at risk due to climate change. I am concerned that the climate risk of these loans is being offloaded to government-backed loan portfolios and insurers outside of the regulatory purview of federal regulators.

Rose (R-TN)

- I am a supporter of the Affordable Housing Credit Improvement Act to address the housing supply problem.
- I urge HUD to finalize its proposed rule setting standards surrounding manufactured housing. Fudge: We are working with FHA and FHFA to make financing for manufactured housing more readily available.

Pressley (D-MA)

- We need to protect communities of color from discriminatory home appraisals. Also, we need to further diversify the appraisal industry.
- I have a bill, the Housing First Act, to remove barriers to housing for people with criminal records.

Norman (R-SC)

- I am going to send HUD a letter opposing its efforts to incorporate the Department of Energy's green energy initiatives/rules into manufactured housing. If those initiatives/rules are incorporated into manufactured housing, it will bankrupt it.

Horsford (D-NV)

- Hedge funds, corporate landlords and cash rich investors are able to outcompete families for housing. This is why I have introduced my bill, the Housing Oversight and Mitigating Exploitation Act. My bill directs HUD to study the housing supply shortage. There is a Senate companion bill.

Steil (R-WI)

- HUD funds are being used to house illegal immigrants in this country. HUD needs to collect data to be able to determine the amount of illegal immigrants it is housing with its funds. Fudge: I would be open to collecting this data.

Garcia (D-TX)

- I support a housing first approach to solving the homelessness crisis. If Republicans defund HUD programs as they want to, we will not be able to solve the homelessness crisis.
- We need to fund HUD through the regular appropriations process by passing an FY 2024 appropriations bill.
- How can Congress help HUD address the purchase of single-family homes by private investors? Fudge: We need to encourage our local and state officials to find ways to create ordinances that stop this purchase. HUD can't stop this purchase.

Timmons (R-SC)

- I believe the homelessness crisis is being caused by inflation as well as the problem of illegal immigration.
- HUD funds should not be used to house illegal immigrants.

- The interest rate on mortgage loans is making homes unaffordable for my constituents.

Pettersen (D-CO)

- HUD needs to better publicize FHA's Assumable Mortgage Rate program to let the public know it can obtain lower interest rates on mortgages through FHA.
- Is there something Congress needs to do to make sure HUD is able to provide CDBG funds to help address wildfires? Fudge: Yes, HUD needs to be able to provide CDBG funds to communities as soon as disasters strike.

Emmer (R-MN)

- I have been working on a bipartisan bill, the Securing Facilities for Mental Health Services Act, to allow psychiatric in-patient hospitals to receive mortgage assistance through HUD. Fudge: I support the bill.

Williams (D-GA)

- What can Congress do to better equip HUD to oversee housing management companies responsible for the management of HUD-assisted properties? Fudge: The only real solution to this problem is to build more affordable housing.

Meuser (R-PA)

- New building codes are increasing the cost to homebuilders to build homes. HUD should look into this concern.
- I do not believe providing HUD with more funding is going to solve the homelessness crisis. We need to tackle the homelessness problem from many more angles than just funding.

Velazquez (D-NY)

- The law prevents HUD from using funds to house undocumented immigrants.
- How is HUD working to reduce homeowners insurance premiums for multifamily property owners? Many multifamily property owners are raising their rents due to the increase in homeowners insurance premiums on those properties. Fudge: FHA is working with other governmental agencies to address the rise in homeowners insurance premiums.

Fitzgerald (R-WI)

- I am concerned the Affirmatively Furthering Fair Housing proposed rule could hamper homebuilding by homebuilders.
- Many lenders have stated that the cost and complexity of servicing FHA loans is significantly more compared to GSE loans. Does HUD have any plans to reform FHA servicing to fall more in line with the GSEs' model for servicing? Fudge: I'm not aware of any lenders having concerns surrounding the servicing of FHA loans.
- Will FHFA's move from a tri-merge to a bi-merge credit report affect HUD's goal of increasing homeownership? Fudge: HUD will examine that question. However, FHA has no plans to go to a bi-merge model.
- I am concerned the GSEs are taking market share from FHA leaving FHA with a pool of riskier mortgages. What is HUD's position on FHA taking on only the riskier mortgages? Fudge: We have less than a four percent default rate. Our reserves are stronger than they have ever been.

Green (D-TX)

- Congress needs to move to make the CBDGR program permanent. The program, administered by HUD, helps communities recover from natural disasters.

Garbarino (R-NY)

- HUD should seek to add to the housing supply by promoting the development of accessory dwelling units. Fudge: HUD is exploring this solution. HUD is seeking ways it can further finance accessory dwelling units and manufactured homes.
- The assumability of FHA loans make them attractive to subsequent borrowers given current interest rates. However, the fee the lender or servicer can charge to underwrite the new borrower is well below the cost the lender or servicer would incur to do so. Is FHA considering raising the fee to ensure that lenders who process assumption requests in a timely manner don't incur costs to do so? Fudge: I'm not sure, but I can ask. We have not gotten any complaints about the fees, but I am willing to take a look at this issue, and I will ask the FHA Commission to look at the issue as well.
- Many lenders have stated that the cost and complexity of servicing FHA loans is significantly more compared to GSE loans. Does HUD have any plans to reform FHA servicing to fall more in line with the GSEs' model for servicing? Fudge: We will take a look at whether or not we can fall more in line with the GSEs' fee structure.

Tlaib (D-MI)

- We need to provide HUD with more resources to make improvements to the existing public housing supply.

Kim (R-CA)

- How do we best combat the homelessness problem? Fudge: We need to talk with local businesses about how to get people employed.
- I believe mental health and substance abuse are the root causes of homelessness. I do not believe through more government money at the problem will solve the homelessness crisis.

Torres (D-NY)

- Congress starves Public Housing Authorities of the funding they need.
- Does HUD support a long-term extension of the Federal Financing Bank? Fudge: HUD wants to make it permanent.

Flood (R-NE)

- The inability of local communities to house workers is stifling economic growth in those communities.
- Are you seeing a lot more multifamily housing units being built across the country? Are people renting instead of buying because they simply can't get into a house? Fudge: Zoning and planning are making it more difficult to build.
- I am a sponsor of the IMBY Act.

Lawler (R-NY)

- Do you support the general concept of good cause eviction? Good cause eviction is a law being proposed in New York which would make it extremely hard for a landlord to evict a tenant. Fudge: I have not read the law, and would need to do so to give an opinion on it.

- Do you support a yearly requirement for the HUD Secretary to testify before Congress? I have legislation to accomplish this goal. Fudge: I think that's reasonable.
- Do you think private corporations owning housing property is a bad thing? Fudge: When private corporations buy these properties, if they hold them and not put them back on the market, it increases the cost of housing.

De La Cruz (R-TX)

- Do you believe that recommendations made by the HUD IG should be made mandatory? Fudge: We have closed over 1,000 of the IG's recommendations.

Ogles (R-TN)

- Has the illegal immigration surge plagued the housing market at all? Fudge: I'm sure that in certain communities it has plagued them.
- HUD changed the participation requirements governing the Emergency Housing Voucher program so that illegal aliens could receive these vouchers. I will be following up with you on this issue with a letter. Fudge: That is not true.
- Do you think that the conservatorship of the GSEs has had an impact on mortgage pricing? Fudge: I don't believe so.
- I think privatizing the GSEs is part of the solution to fixing the housing supply crisis.

Legislation

- [H.R. 2771](#), the "Portal for Appraisal Licensing Act of 2023"
- [H.R. 3405](#), the "Housing PLUS Act of 2023"
- [H.R. 6550](#), to require the Inspector General to produce an updated report on the status of the New York City Housing Authority
- [H.R. 6552](#), the "Housing for America's Middle Class Act of 2023"
- [H.R. 6864](#), the "HUD Accountability Act of 2023"
- [H.R. _____](#), the "Securing Facilities for Mental Health Services Act"
- [H.R. _____](#), the "HUD Evaluation and Optimization Commission Act of 2023"
- [H.R. _____](#), the "Continuum of Care Transparency Act"